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Austria	Sch24	Indonesia	Rp3100	Philippines	Pes40
Bahrain	Din0.765	Iran	Rls210	Poland	Zl 9,000
Belgium	BFr55	Israel	Shk3.50	Portugal	Es150
Cyprus	C£0.90	Italy	L2000	Qatar	QR8.00
Denmark	DKr12.00	Jordan	Fils1000	S.Arabia	SR7.00
Egypt	E£1.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM8.50	Lebanon	L£400.00	Spain	Pta165
France	FFr7.50	Lux	LFr55	Sweden	SKr12
Germany	DM2.50	Malaysia	M$4.25	Switz	SFr2.50
Greece	Dr180	Morocco	Dh6.00	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl 3.25	Tunisia	Din0.800
Hungary	Ft107	Nigeria	Naira10	Turkey	L1400
Iceland	IKr180	Norway	NKr12.00	UAE	Dh7.00
India	Rs15	Oman	OR1		

ECONOMICS
The Ecu takes centre stage
Page 21

World News

IRA admits killing two Australians in gun attack

The Irish Republican Army last night admitted responsibility for the deaths on Sunday of two Australians in the Dutch border town of Roermond, eight miles from the West German border and less than 20 miles from Belgium. The IRA said they had mistaken them for British Army personnel and offered their regrets.

The admission came as Dutch, Belgian and West German police launched a wide-ranging search for the killers. Page 20

Gaviria wins

Mr Cesar Gaviria Trujillo, ruling Liberal party candidate, won the Colombian presidency with 47 per cent of the vote and an ample margin of 1.3m votes over his nearest rival. Page 2

Canadian discord

Canadian Prime Minister Brian Mulroney wound up three days of talks with each of 10 provincial leaders without finding sufficient common ground for the joint conference needed to rescue the Meech Lake constitutional accord.

Zaire inquiry urged

Belgium is seeking backing from its partners in the European Community for for an international investigation of allegations that Zairean troops massacred dissident students earlier this month. Page 3

Greek trial starts

A former Greek deputy Finance Minister, Mr Nikos Athanasopoulos, appeared before a 13-member special tribunal, in the first trial resulting from a parliamentary investigation of financial and political scandals under the former Socialist Government. Page 4

Brussels halts aid

European Commission provisionally stopped the British Government writing off £800m ($1.35bn) of debts owed by British Coal. Page 16

Arab summit opens

Arab summit on the influx of Soviet Jews to Israel opened in Baghdad, the Iraqi capital, but the absence of five heads of state has dealt a blow to Arab unity. Page 20

Lafontaine revolt

West German Social Democrat leader Oskar Lafontaine, still recovering from a knife attack last month, faces a party revolt for opposing Chancellor Helmut Kohl's plans for rapid German unity.

Yugoslav threat

Yugoslavia's new Communist President Borisav Jovic said the country was sliding towards civil war and called for a new constitution to help bring stability. Page 4

Officials criticised

Mr Ghulam Ishaq Khan, Pakistan's President, criticised the authorities in the southern province of Sindh for their handling of crowd violence in Hyderabad on Sunday when police and para-military forces killed at least 45 demonstrators. Page 3

Zambia referendum

President Kenneth Kaunda of Zambia, promising a free national vote on whether the country should remain a one-party state, urged political leaders to spurn the trend towards multi-party rule sweeping Africa. Zambia privatisation plans, Page 3

Poles suspend strike

Lech Walesa rescued Poland's Government by persuading rail worker to postpone their strike as Solidarity claimed a big victory despite a low turnout in the country's first fully-free local elections for half a century. Page 4

Business Summary

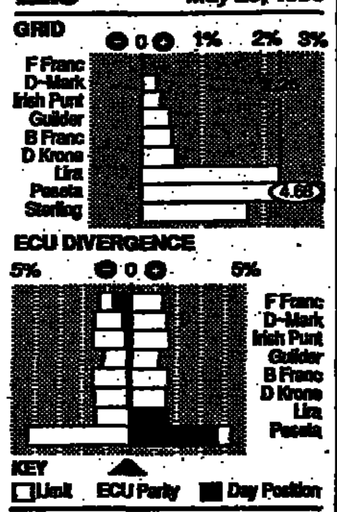
UBS considers suing County NatWest over Blue Arrow

UBS Phillips & Drew, one of the investment banks involved in the £837m ($1.4bn) Blue Arrow rights issue three years ago, is understood to be considering legal action against County NatWest over who should pay most of the compensation arising from the issue. Page 6

MARKETS: European bourses reported quiet trading as London and Wall Street remained closed for a public holiday. In Paris the CAC-40 index closed slightly ahead. Back page, Section II

EUROPEAN Monetary System: The Bank of Italy intervened on four days last week, buying D-Marks and an estimated FFr1bn as the lira hit its maximum permitted level against the bottom placed French franc in the EMS. The Bank of France sold a small amount of lira, and appeared to use a state-owned bank as an agent in support of the franc.

EMS May 25, 1990



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu).

FUJI Heavy Industries, troubled Japanese car maker, has reported an annual operating loss of Y29.6bn ($193m), its first-ever loss and far bigger than the Y23bn loss it forecast as recently as three months ago. Page 21

JAPAN'S top banks posted big declines in annual profits, due to the effect of rising interest rates and of competition triggered by financial deregulation. Page 31

AVERY International, US-based manufacturer of self-adhesive base materials, labels, tapes and chemical adhesives, will merge with Dennison Manufacturing Company, a producer of stationery supplies in a stock-swap transaction valued at about $500m. Page 24.

AMRO and ABN, the two big Dutch banks which plan to merge, will raise Fl 1.3bn ($722m) in fresh capital when they join forces through a public bid in the third quarter of this year. Page 21

IMF agreement with Argentina to resume lending paves the way for the first interest payment by that country to international banks for more than two years. Page 2

ZAMBIA'S President Kenneth Kaunda announced plans partially to privatise the country's unwieldy state-run enterprises and set up a share market. Page 3

UK companies expect their output to increase over the summer to meet a continued but subdued growth in demand, the Confederation of British Industry said. Page 6

Soviet Union 'must turn to west' for economic aid

By Quentin Peel in Moscow

THE SOVIET UNION must turn to the west for massive financial and technical assistance in order to transform itself into a market economy, a leading economic adviser of President Mikhail Gorbachev said yesterday.

Professor Stanislav Shatalin, however, the maverick economist appointed by President Gorbachev as a member of his new presidential council, insisted that the Soviet leader was not committed to the latest government reform plans.

The economic reforms, unveiled last week, involve big price rises for basic foodstuffs which have caused panic buying across the country. They provide for only a slow transition to a market system.

Instead, he suggested that more radical proposals were already being drafted, involving more institutional reforms and less drastic price rises.

Professor Shatalin was speaking on the eve of his departure with the Soviet leader to the summit meeting in Washington.

In an interview with the Financial Times, he suggested that the Soviet leader was not an enthusiastic backer of the price reform plans put forward by his Prime Minister, Mr Nikolai Ryzhkov. He also predicted that the plans would be flatly rejected by the Soviet population in a promised referendum.

Tension is mounting in the Soviet republic of Armenia following clashes at the weekend which left 22 people dead. The commander of the Soviet Union's interior troops said outside reinforcements were needed to disarm Armenian nationalists because Armenia's leadership had failed to control "terrorists". A spokesman for the Armenian National Movement (ANM), which is pushing for independence from Moscow, blamed the violence on "provocations" by soldiers. Page 4

"Maybe on the eve of the visit to the US it is not convenient to say so, but I believe we should make it very clear that without big credits from the west we will not be able to build the market economy," he said. "I believe the US and others are simply bound to do something. Just for the sake of keeping things stabilised here, the west must lend a hand."

Professor Shatalin, one of the tiny handful of economists with the President's ear, said that large-scale credits were necessary to soften the blow of price reform for the population, ensure goods in the shops, and a dynamic relaunch of the ailing Soviet economy.

He criticised the Government for failing to have any coherent borrowing strategy, another clear criticism of Mr Ryzhkov himself, who has always been strongly opposed to such a strategy.

He also said that the latest Ryzhkov plan, blamed for the rush of panic buying in food shops in Moscow and many other major cities, put far too much emphasis on price rises, and too little on measures to switch from the planned economy to a market system.

"The Government has no clear position, whether credits are needed and when they are needed," he said. "We need loans for commodity goods, loans for capital and a two-way exchange of brains. I know that the commercial risk is greater now. I know the situation with our capacity to pay is more difficult. The country is not asking for charity. But for a dynamic process to start, the west should help us."

Professor Shatalin said a group of reformist economists was already working on a far more radical plan than Mr Ryzhkov's, involving the promotion of private property, private enterprise and direct foreign investment. It would be ready by the summer, or September at the latest.

He said the Ryzhkov plan, even if rejected by the Supreme Soviet where it is still under debate, would be put to a referendum, and almost certainly rejected. "If we have a referendum now, I am afraid the people will say no," he said. "If you just ask them do they want a market, they will say No, No and No again. So the question must be very precise."

As for Mr Gorbachev's position, he said it was clear from his television broadcast on Sunday night – appealing for the population not to storm the shops – that he was not committed to the latest price reform measures.

"The president is not the Government. The Government worked out the plan. Now the Supreme Soviet will decide, and the president will say later what will really be done. Yesterday's statement by the President was by no means an endorsement of the plan as the correct formula.

"We need new and much more radical measures. We are just working out an alternative plan now."

He said that President Gorbachev did not agree with him on the absolute necessity of promoting private property. However, "our President is a very undogmatic person. He is open to new ideas. When the economy becomes his favourite child, he will do many of the things we have been speaking about."

Superpower Summit; Gorbachev to visit Silicon Valley, Page 20

Yeltsin seeks link with conservatives

By Quentin Peel in Moscow

MR BORIS YELTSIN, the most popular challenger to the political authority of President Mikhail Gorbachev, yesterday proposed a coalition with hard-line conservatives in the Russian federation, to ensure his own election as Russian president.

His extraordinary move, after having failed twice to win an overall majority in the Russian parliament, came as Mr Gorbachev's favoured candidate for the job re-entered the race as a possible compromise candidate.

The furious battle for the post of Russian president is set to come to a head today, with Mr Yeltsin facing Mr Alexander Vlasov, the current Russian premier, and the candidate favoured by the Soviet leader.

The conservative Communist candidate, Mr Ivan Polozkov, pulled out of the race last night when it became clear he could not defeat Mr Yeltsin.

Boris Yeltsin: coalition plan

The political leadership of the country's largest republic could become a key post in a future federation, with significant devolution of power from the central government.

The re-emergence in the contest of Mr Alexander Vlasov suggests that Mr Gorbachev could yet have his nominee in the job because of the stalemate between left and right-wingers.

Mr Yeltsin rejected a proposal that he stand for President and Mr Polozkov for Prime Minister, but agreed that he was prepared to offer jobs in a Russian government to senior conservatives.

His move may well alienate some of his more radical supporters, who would be strongly opposed to any deal with hard-line Communists.

On Friday and Saturday, Mr Yeltsin and Mr Polozkov both failed twice to gain the necessary 531-vote absolute majority in the Russian Congress of Deputies, although Mr Yeltsin was in front on both occasions.

In the second vote he was still 28 votes short.

"Whether I win or lose, I will be ready for contacts, so proposals for the composition of the leadership may be discussed," Mr Yeltsin said.

He also rejected any suggestion that he was proposing the secession of the Russian federation from the USSR.

"I stand for the union's sovereignty, for the equality of all republics, so that they be strong and thus consolidate our strong union," he said.

Mr Vlasov, who withdrew from the first elections after it became clear that he would come a poor third, is now set to present himself as the acceptable compromise.

He suggested yesterday that he was both in favour of decentralising the state structure, but against "rushing headlong into the market elements."

Opposition leader Aung San Suu Kyi: still under house arrest

Burma's military rulers concede election defeat

By Our Foreign Staff

BURMA'S military Government yesterday conceded that the leading pro-democracy party had won a landslide election victory in the first multi-party elections for 30 years.

Officials of the National League for Democracy, the main opposition party, said that on an unofficial count they had won 230 of 485 seats contested in the National Legislature.

An official tally announced by state radio said the League had won 18 constituencies, while the pro-military National United Party had yet to win any. Two smaller pro-democracy parties each won one constituency.

A military spokesman said it appeared that the League had prevailed in the countryside as well as the cities. Final results are expected to take up to three weeks to compile.

The military promised to relinquish power as soon as a new constitution was approved but it was not clear how much power the election winners would be able to exercise over the regime.

Observers said the process of democratisation could take years after a government official indicated that the military Government might restrict the actions of the new parliament.

Scepticism of the military's intentions will remain until a democratic process is under way. The opposition's victory was particularly surprising given the difficult conditions under which it had been forced to campaign.

The State Law and Order Restoration Council, which has ruled the country since the bloody repression of pro-democracy demonstrations in 1988, ensured that each political party was allowed one brief election address which had to be submitted in advance for censorship. Meetings of more than four people have been banned and freedom of speech denied.

The three most prominent members of the opposition – Mrs Aung San Suu Kyi and Mr Tin Oo of the National League for Democracy and Nr U Nu, a former Prime Minister – are still under house arrest.

Western diplomats in Rangoon, capital of Burma, said reaction to the early election results was tempered with caution.

"There is euphoria in the party but it is not so evident in the streets," said one. "Burmese have had too many shocks in the past few years and they are waiting to see what is the final result."

An executive member of the League said it was "an excellent day for Burma. We are making a new history. We hope with this mandate by the people we can go on to change to a democratic system very easily and peacefully."

Colonel Ye Htut, a spokesman for the military junta,

Continued on Page 20

German union may cut world current account imbalances

By Peter Norman, Economics Correspondent, in London

GERMAN economic and monetary union will push up growth and inflation in West Germany but should help produce a significant improvement in the world's current account imbalances this year, according to the Organisation for Economic Co-operation and Development.

The latest half-yearly OECD projections for the world economy suggest that West German growth this year will be 3.9 per cent, or some 0.7 percentage points higher than forecast by the Paris-based body in December. German growth next year is forecast at 3.4 per cent compared with 3.1 per cent in the last OECD forecast six months ago.

However, the economic union, which is due to take effect on July 2, is also expected to push up German prices as measured by the gross national product deflator. The OECD forecast inflation would rise by 3.4 per cent next year after 3 per cent this year. In its December forecast, the OECD said it expected German inflation would ease to 2.8 per cent in 1991 from 3 per cent this year.

The OECD projections were released yesterday in Paris ahead of tomorrow's annual meeting of ministers from the 24-nation "club" of industrial countries. The organisation's full analysis of the economic outlook in the western industrial world will be released in a few weeks.

It is thought likely that the outlook will warn that higher German inflation could prompt a further rise in German interest rates in the second half of this year after a strong upward movement in long-term rates at the start of 1990. OECD economists believe that economic union with East Germany will unleash inflationary pressures in West Germany where industry is operating with high capacity utilisation rates.

On the other hand, the latest OECD projection envisages a slowdown in the growth of West Germany's huge current account surplus this year, followed by a slight decline next year. The organisation has projected a jump in the surplus to $63.3bn this year from $52.7bn in 1989 and a decline to $61.7bn next year. Six months ago, the OECD expected strong growth in the German surplus to $70.8bn this year and $75.7bn in 1991.

In the case of Japan, the OECD projects a drop in the current account surplus to $48.5bn this year from $57.2bn in 1989, whereas six months ago this year's Japanese surplus was forecast at $61.1bn. However, the Japanese surplus is expected to rise again next year to $59.4bn as exports recover as a result of increased international competitiveness caused by the recent weakness of the yen.

The OECD also expects the US current account deficit to drop below $100bn this year and next. Partly because of revisions to the current

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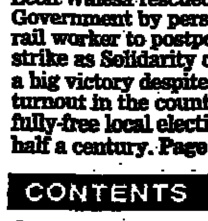
An oasis in the arid desert of Washington oratory



US budget director Richard Darman is Washington's court philosopher and chief political technician, but he is more respected than liked outside the inner circle of Bush supporters
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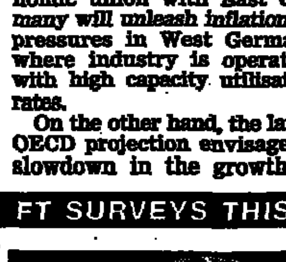
FT SURVEYS THIS WEEK



International Satellite Broadcasting

Ambitious plans for more satellite television services are being unveiled in Europe, the US and Japan.

OVERSEAS NEWS

Drugs war call by new Colombian president

By Sarita Kendall in Bogotá

MR Cesar Gaviria Trujillo, the ruling Liberal party's candidate, was elected Colombian president at the weekend, with 47 per cent of the vote and an ample margin of 1.3m votes ahead of his nearest rival.

In his usual cocoon of bodyguards, the 43-year-old Mr Gaviria congratulated Colombians for voting with courage and clarity despite an intensely violent campaign.

Mr Gaviria inherited the political mantle of Mr Luis Carlos Galan, one of three presidential candidates who were assassinated. In Sunday's ballot, abstention reached nearly 60 per cent.

With 95 per cent of votes counted, Mr Rodrigo Lloreda of the Social Conservative Party, unexpectedly was beaten into fourth place by Mr Alvaro Gomez, of the National Salvation Movement, who took 23 per cent of the votes, and M-19's Mr Antonio Navarro, with 12.7 per cent,

Recognising Mr Navarro's success, Mr Gaviria said this showed the immense possibilities of the peace process. M-19's Social Democrats, rather than communist leanings, have turned the former guerrilla movement into the first left-wing electoral force to challenge the traditional parties.

Colombians also opted in favour of constitutional change on Sunday, with 90 per cent approving convocation of an assembly to draw up reforms. Despite Mr Gaviria's promises to see this through regardless of Congressional resistance, lengthy legal wrangles on the form and content of the assembly are expected.

The new President, who will take over on August 7, has been careful to separate drug terrorism from drug trafficking: there should be no concessions or pardons for terrorists, but traffickers who offer to surrender and dismantle their business can expect more lenient treatment.

In his victory speech, Mr Gaviria stressed that trafficking was a multilateral problem and accused industrialised countries of doing little to fight drug-taking.

He said: "Colombia is paying a high cost with the lives of its best men, its judges and police." The Colombians, with their sacrifices, wanted to see greater international commitment to tackling drugs.

IMF loans to Argentina to resume

By Stephen Fidler

AN AGREEMENT by the International Monetary Fund to resume lending for Argentina paves the way for the first interest payment by that country to international banks for more than two years.

The IMF said late on Friday that it would reactivate the standby loan programme for Argentina suspended in February when the country's inflation rate spiralled out of control. The $1.4bn (£820m) programme was originally agreed in November.

The decision to resume IMF lending – based on moves to cut public spending, reduce public sector employment and cap wage increases – allows Argentina to draw $240m immediately. A further $720m – some of which will be available to finance debt reduction agreements with international banks – will be available over the next year.

The agreement and an expected interest payment to banks of $100m early next month should allow a meeting between government debt negotiators and its leading bank creditors, led by Citibank, in New York on June 7.

If talks go according to plan, this should lead not only to more regular interest payments to banks but also eventually to a debt reduction deal on the lines of the international debt initiative adopted last year.

Argentina has not paid interest on its bank debt since April 1988, building up interest arrears of well over $6bn.

Mulroney fails to find common ground on Meech Lake accord

By Bernard Simon in Toronto

CANADA'S Prime Minister Brian Mulroney wound up three days of talks with 10 provincial leaders yesterday without finding sufficient common ground for the joint conference needed to rescue the Meech Lake constitutional accord.

Emerging from separate meetings at the Prime Minister's Ottawa residence, the premiers' mood ranged from cautious optimism to dogged opposition towards the 1987 accord, which has unleashed the most emotional debate on Canada's future in more than a decade.

The agreement, which recognises Quebec as a distinct society and gives all provinces a number of extra powers, must be ratified by the provinces by June 23.

Failure to approve it will greatly strain relations between Quebec and English Canada, by strengthening the cause of separatists in the francophone province and fuelling a perception among many Anglo-Canadians that Quebec is unwilling to compromise to avoid an accelerating fragmentation of the country.

Mr Mulroney said after meeting Mr Robert Bourassa of Quebec yesterday that "some obstacles" remain to be overcome.

Disagreement is understood to centre on three points:

- The limits of the accord's provision that Quebec has a right to "preserve and promote" its distinctiveness; in particular, whether that provision can override the federal Charter of Rights and Freedoms.
- Senate reform, a high priority of the western and Atlantic provinces which want a stronger voice in Ottawa. Dissident provinces oppose the veto which Meech Lake gives Quebec over any proposal to change the composition of the Senate.
- The ability of the federal government to protect the rights of the English-speaking minority in Quebec and French minorities in predominantly English provinces. One of the three dissident provinces, New Brunswick, appears to be close to joining the majority in accepting the original text of the accord. But the other two, Manitoba and Newfoundland, are still calling for changes unacceptable to Quebec.

While Mr Mulroney plays host to Mr Mikhail Gorbachev, the Soviet leader, in Ottawa over the next two days, he is expected to seek ways of stepping up the pressure on Manitoba's Mr Gary Filmon and Newfoundland's Mr Clyde Wells, whose provinces account for about 5 per cent of Canada's population.

Mexico devalues currency by 20%

By Richard Johns in Mexico City

PRESIDENT Carlos Salinas de Gortari of Mexico, in a modification of exchange rate policy, has announced a 20 per cent depreciation of the peso against the dollar.

The move came into effect yesterday and forms part of the Mexican government's accord with business leaders, the mainstream labour movement and the official small farmers' organisation. It extends its tough anti-inflationary economic stabilisation programme from August 1 to the end of next January.

In the sixth renewal of the Pact for Economic Stability and Growth, dating back to December 1987, the administration has given precedence to the continued fight against inflation currently running at an annualised rate of about 24 per cent (compared with an official target of 15.7 per cent for 1990 as a whole) through the exchange rate rather than cuts in state spending.

Since the beginning of 1989 the peso has been depreciated by one peso a day or an annual rate of 13-14 per cent which will now be reduced to about 10.5 per cent.

To curb consumption, the price of petrol has been raised 6.7 per cent bringing it to 560 pesos a litre nationwide and closer in line with international prices.

EC firms escape US banking law

By Peter Riddell in Washington

EUROPEAN Community banks and securities firms will be exempt from the impact of a new US law allowing the federal Government to retaliate against countries, especially Japan, which have unfair barriers against US institutions.

The Senate Banking Committee has unanimously approved the measure, the Fair Trade in Financial Services Act. It would give US banking and securities regulators power to impose sanctions on countries regarded as discriminating against US financial service groups by denying them the same advantages as domestic firms.

Sanctions would be imposed only after a formal finding of discrimination and the failure to find a negotiated solution. Any action would be discretionary rather than mandatory and would involve denying permission to foreign financial companies to initiate or expand activities in the US.

However, the measure has been amended to reassure the EC that the powers will not be used against its firms.

The proposal, from Democratic Senator Christopher Dodd, would allow US regulators not to impose sanctions on countries which have a good record of providing open access for US financial firms or whose domestic policies would protect US groups established there from any future sanctions.

EC members are considered able to fulfil these requirements, though Japan is not.

Bush's 'court philosopher' faces tough practical test

Peter Riddell profiles the US Budget Director

MR Richard Darman, US Budget Director, is the cleverest, most original and most mistrusted member of the Bush Administration.

Senator Lloyd Bentsen, Democratic chairman of the Senate Finance Committee, says Mr Darman reminds him of "the story about the two psychiatrists. One says: 'Good Morning.' The other says: 'What did you mean by that?'"

Mr Darman is both the Administration's court philosopher and its chief political technician, now at the centre of White House negotiations with congressional leaders about how to cut the soaring federal budget deficit.

In alliance with Mr John Sununu, the similarly abrasive White House chief of staff, Mr Darman dominates domestic policymaking.

But his very cleverness, and public air of apparent self-satisfaction, make him more respected than liked outside the inner circle around Mr Bush. Democratic congressional leaders like Senator Bentsen feel he was devious last year over the budget.

Yet Mr Darman's speeches are like lush oases in the arid desert of Washington oratory – full of insight and vivid phrases.

Few can better his questioning of current American values – his denunciation of "cultural now-nowism". He defined this as "the impatience of the consumer, not the builder; the self-indulgent, not the pioneer."

Last January he described the US budget as the Ultimate Cookie Monster, like a children's TV character that gobbles up everything.

In an Administration short of what Mr Bush called "the vision thing", Mr Darman appealed for revival of the American Romantic spirit – "a love of freedom, a respect for individual rights, appreciation of markets, hope, optimism, confident faith in the future, heroisation of risk-taking and the pioneering spirit".

He contrasted this with the dangers of a risk-o-phobic society and environmental neo-Luddites; "America did not fight and win the wars of the 20th century to make the world safe for green vegetables."

Yet Mr Darman was a member of the Administration responsible for much of what he now criticises.

He was deputy White House chief of staff in the 1981-85 period and deputy Treasury Secretary for much of the second Reagan term, both under Mr James Baker, the current Secretary of State. That was the era of "feel-good" politics.

There is a gap between the eloquence of Mr Darman's analysis and his solutions.

Since becoming Budget Director in January 1989, Mr Darman has warned of the need for tough action. But his proposals have not been tough.

There has been a mixture of minor spending cuts and what are euphemistically called user fees (minor tax increases) to meet the statutory deficit target, which in the event has been substantially exceeded.

The Bush budget last January was in this mould – a sorcerer's package tackling the deficit in bits here and there. It included nearly $20bn in increased receipts and user fees, "some of which", Mr Darman has said, "some people would call taxes, some of which some people wouldn't."

In defence of Mr Darman it can be argued that he has been biding his time.

He has made no secret of his interest in a "Deal of the Century," cutting social security bills and defence, as well as raising taxes, in a multi-year deficit reduction package.

But Mr Darman has been constrained by Mr Bush's "no new taxes" pledge – a key symbol for conservative Republicans – and by a general lack of political will to tackle the problem.

What has changed is that the estimate of the deficit for the coming 1991 fiscal year has soared – by $38bn at a minimum, thanks to slower than expected growth and higher than expected interest rates. That is before taking account of the astronomic costs – up to $80bn next year – of the rescue of savings and loan institutions.

This led Mr Darman to persuade Mr Bush a few weeks ago that now was the right time for a budget summit.

As he recently warned, with possibly a declining availability of capital from Japan and Europe, there could be upward pressure on interest rates, which could tilt the US economy from its present slow growth into recession.

In the background is the threat of huge across-the-board cuts in spending triggered automatically this October if a package is not agreed.

Yet if Mr Darman has helped set the table, no-one is yet eating. Both sides are still discussing the problem, rather than negotiating, though intensified talks are promised next month.

The mere announcement of discussions with no pre-conditions sent a flurry of alarm among conservatives, and of "I told you so" among Democrats, that the "no new taxes" pledge was about to be ditched.

Latest opinion polls suggest public opposition to tax increases is falling. Over two-thirds of voters say it would make little or no difference to their opinion of Mr Bush if he accepted a deficit reduction package with higher taxes.

If Mr Darman can succeed in the next few weeks in helping devise a package that seriously tackles the deficit problem without denting Mr Bush's popularity, he will show he is more than a sharp operator with bright ideas. He will be line to become Secretary of State or Treasury Secretary in two or three years.

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OVERSEAS NEWS

Banana growers split over quotas

Canute James finds Caribbean relations soured over EC exports

ALTHOUGH an uneasy truce has been reached in a Caribbean war over the European banana market, the row has soured relations between members of the Caribbean Economic Community (Caricom) and the Dominican Republic.

After agreeing on where in Europe they will and will not ship bananas, the argument has left many Caricom leaders so incensed that there are increasing doubts whether Caricom will entertain an application by the Dominican Republic to be the 14th member of the community.

The impasse is rooted in the Caricom countries' belief that the Dominican Republic reneged on an undertaking not to sell certain products in Europe and damage the markets of the traditional Caribbean exporters. This was the price the Caricom states demanded in exchange for supporting a Dominican application for membership of the African, Caribbean and Pacific (ACP) group of countries, which are linked to the EC through the Lome

The Caricom countries supply about two-thirds of the bananas consumed in the United Kingdom, but have maintained their market because of preferential treatment. They are concerned over losing market share, particularly at the expense of cheaper fruit from Latin America – a concern which has been fuelled by uncertainty over whether preferential access will continue after the single European market is created after 1992

In a memorandum presented to the Caricom countries and other ACP states last October, Mr Joaquin Ricardo, the Foreign Minister of the Dominican Republic, said his country had agreed "not to participate in the benefits applicable to the ACP suppliers of bananas to the EC under this (Lome) Convention." A similar undertaking was given concerning the markets for sugar and rum.

The Caricom states were angered in February, however, when *Mr Joaquin Balaguer*, the Dominican President, initiated a $2m rehabilitation of the port of Manzanillo, saying that it would be used to export bananas to Europe. Dominican *officials said the shipments*, expected to reach 106,000 tonnes per year, would be handled by the UK group, Fyffes.

The Dominicans countered Caricom criticism by saying that they intended to ship the fruit outside the banana protocol of the Lome Convention, and pay import duties.

In an attempt to diffuse the row, *President Balaguer* said he wanted to co-operate with Caricom and take advantage of the Lome Convention. "It is true that when the negotiations for the entry of the Dominican Republic into the Lome Convention were underway, our negotiators made promises to some Caricom countries," Mr Balaguer said.

"Those promises included one that we would not compete with those countries in certain areas of external trade, mainly in the exportation of certain products, among them bananas."

At a recent meeting in Barbados, *Mr Ricardo* and officials from the Caricom banana exporters (St Lucia, Dominica, St Vincent, Grenada, Jamaica and Belize), agreed that the Dominican Republic "will not export directly or indirectly, and will not supply for sale directly or indirectly, bananas to the UK market."

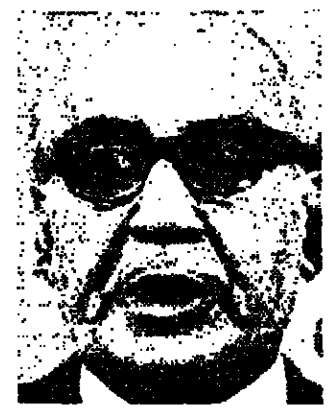
There is little doubt, however, that the impasse has damaged what had previously been increasingly close ties between Caricom and the Dominican Republic. The application for membership of the Community, if approved, would immediately double the Caricom market to 12m people. It would also have made the Dominican Republic the first Latin member of a body which has been confined to the Anglophone states of the region.

"Caricom will consider the Dominican Republic's application for membership as it would any other," said Mr Roderick Rainford, the Community's Secretary General.

A less diplomatic reaction came from Mr Herbert Young, St Vincent's Trade Minister, who complained about the "unreliability" of the Dominican *Republic. "It is not important* to widen Caricom at this stage, but we must strengthen the English-speaking Caribbean," Mr Young said. "The inclusion of the Dominican Republic will come later down the line.

Sindh leaders criticised over killings

By David Housego in Islamabad



Ghulam Ishaq: police action 'ill-conceived'

MR Ghulam Ishaq Khan, Pakistan's President, yesterday criticised the authorities in the southern province of Sindh for their handling of crowd violence in Hyderabad on Sunday, when police and para-military forces killed about 60 demonstrators.

The incident is deeply embarrassing to the Pakistan Government, which has been trying to focus international attention on Indian human rights violations in Kashmir.

Security forces in Hyderabad fired on an angry crowd demonstrating after the arrests of militants believed responsible for ethnic violence between Sindhis and the immigrant Mohajir community. Nearly 300 people were injured in the firing.

Hyderabad yesterday remained under curfew but in Karachi at least 22 more people, including a senator, were killed in cross-firing, in addition to 40 deaths on Sunday.

President Ghulam Ishaq described Sunday's police operation in Hyderabad as "ill-planned and ill-conceived." He called for a judicial inquiry into the police actions.

Prime Minister Benazir Bhutto flew to Karachi last night for an emergency meeting with provincial leaders and the army chief of staff, Gen Mirza Aslam Beg, who cut short a visit to Bangladesh.

The army has been pressing for tougher action in Sindh on the grounds that the present violence in the province leaves the country's defences vulnerable in the event of war with India.

Ms Bhutto has come under increasing pressure to dismiss the provincial government, headed by her Pakistan People's Party, and declare a state of emergency.

Gabon's oil output cut sharply

By William Dawkins in Paris

GABON's oil production, the country's main source of foreign exchange, was yesterday reduced to a trickle as Western oil groups responded to rioting by closing wells and withdrawing staff.

Oil output has fallen to a mere 20,000 barrels per day, the minimum needed to stop a build-up of paraffin in the pipes, against last month's norm of 270,000 b/d, according to reports from the former French West African colony.

Before the riots Gabon's oil export earnings were expected nearly to double from last year's $850m to $1.6bn. The protests, the worst during President Omar Bongo's 23 years of rule, were sparked off when the opposition leader, Mr Joseph Rendjambi, was found dead in a hotel in Libreville.

Elf Aquitaine, the French state-controlled oil group and the main producer in Gabon, withdrew 180 out of the 220 families in its Gabonese off*shoot, leaving only essential* maintenance staff. It had received "physical threats and sabotage" to buildings and staff in Port Gentil.

Meanwhile, France sent in further troops over the weekend, bringing the total to almost 1,000.

Zambia plans privatisation of state-owned enterprises

By Michael Hall in Lusaka

ZAMBIA'S President Kenneth Kaunda announced plans yesterday partially to privatise the country's unwieldy state-run enterprises and set up a share market.

The policy is likely to meet with the approval of the IMF, World Bank and aid donors who are watching Zambia's latest economic reform programme closely.

Mr Kaunda was addressing the 600-strong National Council, the ruling party's top policy review body, which had been called to decide whether Zambia should hold a referendum on a return to a multi-party system.

Mr Kaunda said citizens would be offered 40 per cent of shares in some public utilities and up to 49 per cent of state-owned mining, industrial and commercial concerns. A team headed by Mr Malimba Masheke, the Prime Minister, will draw up a plan to implement the reform.

The sale of state enterprises, which dominate most sectors of the economy and account for the bulk of GDP, should reduce a gaping budget deficit and generate resources for Zambia's crumbling health and education sectors.

Mr Kaunda appealed to National Council delegates to reject multi-party democracy, but allow a referendum.

Belgium urges Zaire inquiry

BELGIUM is seeking backing from European Community partners for an international investigation of allegations that Zairean troops massacred dissident students earlier this month, writes David Buchan in Brussels.

Brussels is understood to have sounded out the Geneva-based International Committee of Jurists to see whether it would be ready to investigate reports that up to 50 demon*strating students* at the university of Lubumbashi were killed on the night of May 11-12 by President Mobutu Sese Seko's special forces.

The Zaire authorities have claimed that only one student died and 14 were wounded in a brawl among students.

Israel moves to relax foreign currency controls

By Hugh Carnegy in Jerusalem

ISRAEL announced a significant relaxation of its foreign currency controls at the weekend, prompted by concern that local industry risked missing out on the increasing integration in world markets, especially in the EC, Israel's main trading partner.

The Bank of Israel said Israeli companies would now be allowed to invest up to 20 per *cent of their equity abroad* in any type of venture, except financial investments and real estate. Previously, permits were only issued for investments which directly promoted Israeli exports or industrial development in Israel.

The old system of insisting that all overseas ventures remain under the majority control of the investing company has been scrapped. Up to 50 per cent of profits earned abroad can now be reinvested overseas, where before all overseas revenues had to be repatriated.

Despite worries among some industrialists and trade unionists that such measures could divert investment and jobs out *of Israel – at a time of low* investment and high unemployment – the fear among senior economic policy-makers has been that the Israeli economy could become isolated.

They are particularly concerned about the effects on Israel of the EC's 1992 reforms.

Japan seeks to end emissions dispute

By Robert Thomson in Tokyo

THE *Japanese Government*, under increasing international pressure on environmental issues, will begin talks this week in an attempt to resolve internal divisions over emissions of carbon dioxide and other greenhouse gases.

The Ministry of International Trade and Industry (Miti) is in dispute with the Environment Agency over the stabilisation of Japan's carbon dioxide emissions, which are the fourth highest in the world and about 5 per cent of the total.

Miti argues that carbon dioxide emissions must increase by 1.3 per cent annually until the end of the decade if the economy is to remain strong, while the Environment Agency believes that, after a few more years of increases, emissions can be reduced to the 1990 level by the year 2000.

Officials from the two agencies are to meet soon in an attempt to settle the dispute and Mr Saburo Kato, director of international affairs at the Environment Agency, said that they were under pressure to agree on a policy well before the Group of Seven summit in July.

Mr Kato said: "Now, we have *two different scenarios*. Miti says that no reduction can be made and we say that emissions can be stabilised. We say that by protecting the health of the Japanese people, we are protecting the health of Japanese industry."

Miti's department of natural resources and energy estimates that carbon dioxide emissions in 2000 will total 340m tonnes, up from 294m tonnes in 1988, on the assumption that annual economic growth will be 4 per *cent. The ministry, presuming* that nuclear power generation will increase significantly, hopes emissions will then stabilise at 340m tonnes.

After crucial discussions between specialists in the two agencies this week, department heads and ministers will enter the debate, which could prove highly embarrassing if the result puts Japan out of step.

A Miti official involved in the debate said that Britain's proposal to stabilise carbon dioxide emissions at 1990 levels by 2005 was the "decision of a sovereign state" and put no extra pressure on Japan. He said that other countries have had to revise upwards their estimates of emissions and that projections must be governed by the need for reasonable economic growth.

"I think you will find officials at the Environment Agency who agree with us. They understand that if we want 4 per cent annual growth, emissions cannot remain the same," the official said.

But Mr Kato at the Environment Agency said that "it will be very difficult" to get agreement because of the greatly differing opinions at the two *ministries*. He said Miti's more international departments had shown support for the agency's views, but departments representing industry were less sympathetic.

Mr Kato said: "Twenty years ago we argued over exhaust emissions, and Miti said that reducing emissions would lead to local car makers being dominated by GM and Ford. We maintained that we should impose strict emission standards, and we were right."

Indonesia unveils trade and industrial reforms

By Claire Bolderson in Jakarta

INDONESIA yesterday unveiled trade and industrial reforms in the latest attempt to ease controls on its economy.

The changes, presented by Mr Radius Prawiro, Chief Minister of Economics, cover import tariffs, the pharmaceuticals industry, agricultural smallholders and fisheries. They are intended to boost Indonesia's domestic economy at a time when exports have reached record levels.

The package includes cuts in tariffs on nearly 2,500 items, including measures to help Indonesia's small electronics sector by cutting the domestic costs of local producers.

Also changed are regulations on pharmaceuticals production. Rules on pricing and distribution are to be eased and the $400m pharmaceutical wholesale business is to be opened up *to foreign companies*.

EC-US tension over farm reform set to flare again

By Peter Montagnon, World Trade Editor

TENSION between the US and the European Community over world farm reform seems set to flare up again at the ministerial meeting of the Organisation for Economic Co-operation and Development which opens tomorrow in Paris.

Mrs Carla Hills, US Trade Representative, is going to the meeting determined to push for progress towards an agreement on agriculture, now generally regarded as essential to the success of the entire Uruguay Round of multilateral trade negotiations.

However, several European countries have dug their heels in and are refusing to treat the OECD meeting as a negotiating session. Trading powers should be expected to modify their positions only in the wake of formal Uruguay Round negotiating sessions in Geneva, they argue.

OECD meetings are normally orchestrated to end up with a public display of harmony. The farm dispute could make this year's meeting one of the rare occasions when open disagreement between member states is acknowledged in the final communiqué, sending a negative signal to the rest of the world about the prospects of success in the Round, trade officials said.

The OECD meeting comes after a personal statement last week by President George Bush in which he emphasised the importance of agriculture to the Uruguay Round and warned that the US would walk away from an unsatisfactory package.

It offers one of the last chances at ministerial level for industrial countries to resolve trade differences before the Houston economic summit in July and the deadline later that month for a framework agreement on the entire Uruguay Round package.

Trade officials fear that unless a credible statement is issued, developing countries will lose interest in negotiation. Integrating them better into the world trading system is a further item on the meeting's agenda.

The EC intends to home in on the US reluctance to agree to textile trade reforms which would satisfy the developing countries.

It will also call on the US to commit itself to modify its unilateral approach to dealing with trade problems.

This would facilitate agreement on an improved dispute settlement mechanism for the General Agreement on Tariffs and Trade.

The Community will also press the US for a strong political commitment to persuade national governments not to enforce regulations which discriminate against foreign companies established within their borders. This would allow agreement on a so-called "national treatment instrument" which would promote liberalisation of service industries.

Low turnout of Polish voters reflects disenchantment

By Christopher Bobinski in Warsaw

A LOW TURNOUT in Poland's first free local government elections since the war has signalled growing disenchantment by the public with the Solidarity government's failure to improve the country's economic situation.

At the same time, the planned strike by railway workers, which had threatened to bring the country to a standstill and which would have put the government under considerable pressure to revise its austerity programme, was averted at the last minute following talks between Mr Lech Walesa, head of the Solidarity trade union, and the railways employees' representatives.

Despite the 42 per cent turnout, 20 points less than in the government elections last year, to elect 2,388 local councils, Solidarity candidates, particularly those standing in the cities, were overwhelmingly elected. Few Poles voted for the remnants of the former Communist Party or indeed any of the new parties which have sprung up on the fringes of Solidarity.

"If somebody did not go and vote against [us] then he must be supporting us," said Mr Walesa, who has his eye on the presidency presently held by General Wojciech Jaruzelski. The peasants, who have criticised government economic policies, tended to abstain.

The lowest turnout, 35 per cent, was recorded in Lodz, the heartland of the textile industry which has been hardest hit by Poland's recession and which remains a potential region of more industrial unrest.

When the polls closed on Sunday evening, Mr Walesa managed to avert the threat of a national rail stoppage, due to start today, after he persuaded strike leaders to suspend their action for two weeks pending pay talks.

Railway staff, who over the past week had paralysed freight and passenger traffic in the north-east, including Gdansk, and who had also disrupted work at the Baltic ports, were fighting for a 20 per cent pay increase.

The government said that if the increase was agreed, it would shatter its anti-inflation strategy.

Mr Walesa, whose movement opposed the stoppage, yesterday said: "We must resolve the railmen's problems, because they live badly," but he added he had made no promises which could not be fulfilled by the government.

A FORMER Greek deputy Finance Minister appeared yesterday before a 13-member special tribunal, in the first trial resulting from last year's parliamentary investigation of financial and political scandals under the former Socialist Government, Kerin Hope reports from Athens.

The ex-minister, Mr Nikos Athanasopoulos (above), 67, is charged with criminal fraud and forgery in the sale by a Greek state trading agency of 20,000 tonnes of maize smuggled from Yugoslavia.

The maize was sold to Belgium in 1986 under forged Greek certificates of origin in order to avoid European Community countervailing levies of Ecu 1.35m (£730,000) After the fraud was discovered by EC investigators, Greece was fined $2.4m (£1.42m) in damages by the European Court.

The former head of Ilco, the trading agency, and four other senior Finance Ministry and customs officials also face charges in the case.

Legal proceedings are continuing in connection with two other scandals in which the former Prime Minister, Mr Andreas Papandreou, is accused of ordering illegal phone taps and of complicity in the embezzlement of Dr3bn (£11.83m) from the Bank of Crete, but no trial date has been set.

Yugoslav president warns of civil war

By Lara Silber in Belgrade

WARNING about the danger of civil war and foreign military intervention, Mr Borisav Jovic, the new federal president of Yugoslavia, yesterday called for a new federal constitution aimed at stabilising the country.

In his address to parliament, Mr Jovic said: "The extremist right parties coming to power and the revanchist forces could bring about civil war and the possibility of foreign armed intervention."

Mr Jovic, 61, assumed the one-year position of state president – which rotates among the eight members of the collective presidency – last week. He is considered a loyal supporter of Mr Slobodan Milosevic, the president of Serbia.

In a 13-point package aimed at avoiding "deepening disintegration", Mr Jovic called for a new federal constitution, an end to unilateral constitutional amendments by individual republics, and the strengthening of the powers of the constitutional court.

Mr Jovic stressed that political opposition parties must be legalised in accordance with the constitution, excluding those parties "which incite national or religious hatred".

In a possible hint at strengthening the federal state at the expense of tolerance for dissent or, more important, of the autonomous powers of the republics, he warned: "The authorities must not tolerate disrespect, abuse or crude attacks on laws, for that opens the door to chaos in society."

In a reference to recent elections in the republics of Slovenia and Croatia, which resulted in landslide victories to right-of-centre parties, Mr Jovic said he did not intend to nullify them. However, he warned that they had included "typical fascist methods of pressure" including the "manipulation of voters and physical attacks on members of other parties".

No such problems were reported in the April elections in these republics, the first multi-party elections since the Second World War.

Day of mourning raises threat of further clashes in Armenia

By Leyla Boulton in Moscow

PROSPECTS OF further clashes between Soviet troops and armed Armenian militants grew yesterday as a day of mourning was declared for the 22 victims of Independence Day violence.

General Yuri Shatalin, commander of the Soviet Union's interior troops, said yesterday evening that outside reinforcements were needed to disarm Armenian nationalists because Armenia's leadership had failed to control "terrorists".

"We need the most resolute measures," said the general, who flew to Yerevan at the weekend. He called the situation there "explosive".

"I met leaders of illegal armed formations. Unfortunately they refused our offer to voluntarily surrender their arms. This cannot but raise alarm," he told Tass, the official news agency.

Twenty Armenians and two soldiers were killed in shooting which erupted at Yerevan railway station on Sunday evening and spread to the Armenian capital's suburbs early yesterday.

A spokesman for the Armenian National Movement (ANM), which is pushing for independence from Moscow, blamed the violence on "provocations" by soldiers who opened fire on innocent people.

"It all started because they wanted to send in troops for our Independence Day celebrations," he said.

Armenia's local Communist Party leadership declared today a day of mourning. According to some reports, up to 100,000 people came out on to the streets yesterday afternoon for a rally marking Armenia's two years as an independent republic until it was re-absorbed by Red Army troops in 1920.

But many stayed indoors, fearing new violence.

The violence was by far the worst direct confrontation between Moscow and Armenians, whose wrath had until recently focused on neighbouring Azerbaijanis because of the dispute over who should control the Armenian enclave of Nagorno-Karabakh.

The territory, which is inside Azerbaijan but populated mainly by Armenians, was placed under direct rule from Moscow to stop bloody fighting between the two ethnic groups. But anti-Moscow feeling received a powerful boost last year from the Soviet government's decision to return the territory to Azerbaijani rule.

Meanwhile, from the Azerbaijani capital, Baku, Moscow Radio's news agency Interfax reported that local demonstrators yesterday marched to commemorate Azerbaijan's statehood day in defiance of a Moscow-imposed state of emergency.

Strict requirements on VDUs to be adopted

STRICT EUROPEAN safety requirements for workers using visual display units (VDUs) will be adopted in Brussels today by employment ministers, with important consequences for employers and equipment makers, Lucy Kellaway writes from Brussels.

Starting from 1993, all VDUs will have to be made separate from the keyboards and both will have to be made fully adjustable. Chairs will have to swivel and move up and down, desks must not reflect light, and footrests will have to be provided if asked for.

Employers will have to provide compulsory eye tests at regular intervals. The measure will get the support of at least 11 countries, but the UK – which regards the measure as too broad in being applicable to all VDUs rather than just those attached to computers – is likely to abstain at today's vote.

Ministers will also adopt a resolution on sexual harassment at work, in a clear statement that any such action is unwarranted and may be illegal under sex discrimination laws. The terminology of the measure has proved strangely contentious within the Commission, with the result that explicit references to sexual harassment have been removed in favour of "the dignity of women and men at work".

Small companies to win relief from high EC costs

THE EUROPEAN Commission yesterday promised to reduce the cost to small and medium-sized companies of complying with EC rules, and said it would study all existing and future legislation to identify the areas where the costs are unacceptably high, Lucy Kellaway writes.

The announcement will give small businesses – which make up 99.8 per cent of the companies in the Community – greater leverage over the drawing up of new legislation.

Mr Cardoso E Cunha, the Commissioner responsible for small businesses, yesterday told EC industry ministers of the Commission's new proposals for VAT collection, which he said imposed a particularly low cost on small and medium-sized companies.

Member states in their turn agreed to a resolution to study their own laws, changing or amending those where the cost on businesses are too high, and those which are out of date or unintelligible, and to modernise government departments dealing with small businesses.

As part of a package to give smaller businesses a better deal from the Community, proposals were made to improve their access to research programmes, and to make sure that they do not lose out under new EC directives opening up the market for public procurement for large contracts.

French job figures cheer Government

By William Dawkins in Paris

THE number of jobless in France fell by nearly a full percentage point between March and April, a turnround from two consecutive months of increase, which leaves the unemployment rate at 9.3 per cent.

This is encouraging news for a government which is conscious that unemployment is one of the few shadows on its successful economic record and which is also considering an increase in the statutory minimum wage. The Socialist administration is anxious to help the low paid, so as to continue France's relative industrial peace, but such a move would clearly limit job creation prospects.

April unemployment fell by 0.9 per cent from the previous month, leaving 2.48m people out of work, according to seasonally corrected figures from the Labour Ministry. This means the number out of work has fallen by 58,600, or 2.3 per cent, since a year ago, when the jobless rate was 9.4 per cent.

The latest improvement is due to an increase in job creation, with 84,000 posts created in the first quarter of this year, plus a sharp drop in the number of people being laid off or coming to the end of temporary work contracts. The number of posts on offer at government job agencies has risen by 1 per cent over the past year, though the take-up rate has fallen by nearly 11 per cent, reflecting the difficulties of getting long term jobless back to work, said the ministry.

W German unions pulling out of industry

By David Goodhart in Bonn

THE WEST GERMAN trade union movement's holdings in industry and commerce, once a symbol of integration into Germany's social market economy, are to be sold. The German Trade Union Federation (DGB) decided at its 14th congress at the end of last week that in the light of scandals in union-owned companies it should abandon its business ambitions and concentrate solely on trade union work.

The decision confirms a provisional agreement of the 1986 congress which followed the long-running financial scandal in the union-owned Neue Heimat housing group, which left the DGB several billion D-Marks poorer and with its moral authority dented.

The three main stakes which will now be sold are in the Bank für Gemeinwirtschaft, the Volksfürsorge insurance group and the BHW savings group. Each stake is just under 50 per cent.

Another bank, the BSV, where the unions own a majority stake, is also likely to be sold. However a book publishing company, Gutenberg, is likely to be kept on the grounds that it promotes the "political and cultural tasks of the trade unions".

The decision to pull out of business does not signify any big political shift inside the DGB. Indeed, the election of Mr Heinz-Werner Meyer to succeed Mr Ernst Breit as DGB chairman is a clear sign of continuity, although Mr Meyer, former head of the construction union, won an unusually low 64 per cent of delegates votes. Mr Meyer, like his predecessor, is a cautious moderate and an uncharismatic speaker.

The lacklustre congress produced no clear line for the unions on German re-unification although various merger discussions between West and East German unions, most notably the I G Metall engineering union in both states, were concluded at the edge of the conference. I G Metall (west), with 2.6m members, plans to merge with I G Metall (east), 1.6m members, at the beginning of next year.

The DGB, which has been struggling for years to increase its powers in relation to its 16 constituent unions, won no new central authority. However, it is likely to benefit indirectly from helping to guide the trade union unification process.

Western Europe health spending at $377bn

By Alan Pike, Social Affairs Correspondent

WEST GERMAN doctors are the most prolific issuers of prescriptions in Europe – nearly 730m in 1988, compared with 427m in the UK – according to a study by market analyst Euromonitor.

This helps make West Germany into Europe's biggest spender on health care. It spent $145bn (£85.8bn) in 1987, more than twice as much as France, the second highest.

Total spending on health care in Western Europe reached $377bn in 1987, according to Euromonitor's calculations. Pharmaceutical sales in Europe were valued at $36.4bn in 1987, with the number of products available over the counter varying widely – from 1,000 in Ireland to nearly 10,000 in Switzerland.

In addition to branded pharmaceuticals, some countries have developed large markets in homeopathic and herbal medicines.

Western Europe is the second largest drug market in the world. Its pharmaceutical companies are responsible for 26 per cent of world drug production and two-thirds of world exports of pharmaceuticals.

Research and development spending on drugs is highest in Germany, Switzerland, France and the UK, exceeding $1bn in each country.

Demand for health care will continue to grow strongly, says the report, fuelled by the increasing proportion of elderly people in the population. Rising costs will force governments to review their policies and encourage individuals to take greater responsibility for their own health.

This is likely to squeeze the market for prescription drugs but lift demand for over-the-counter pharmaceuticals.

European Health Care in the 1990s, Euromonitor, London. £450

Compromise on telephone networks rejected

By Hugo Dixon, recently in Geneva

A MEETING of the International Telegraph and Telephone Consultative Committee, the Geneva-based phone club, broke up without agreement last Friday, when France and Japan rejected a last-minute compromise put forward by Switzerland.

The meeting of the CCITT's study group 3 had been called to revise the secretive club's restrictions on private networks, which are partly to blame for high international call charges across the world.

A group led by the US was pressing for maximum freedom in the use of private circuits, believing this would lead to the growth of international telecommunications services. A rival camp, led by France and Japan, acknowledged that the restrictions were out of date, but argued that safeguards were needed to protect their public networks from excessive competition.

Although there was no final agreement, some progress was made towards narrowing the gap between the two camps. The matter will be debated again in November.

The liberal camp was not too unhappy at the failure to reach agreement, arguing that three factors would strengthen their position by November.

● The European Commission has become actively involved. Its competition branch caused a stir by turning up to last week's meeting and warning that the CCITT's restrictions on private networks might be in breach of the Treaty of Rome's anti-trust provisions.

● Trade Ministers are becoming interested in the effects of artificially high phone prices on the world economy in the context of the current Gatt round. In November, the Gatt negotiations will be in their final stages.

● There is a worldwide trend towards freer telecommunications markets, with more countries splitting regulatory and operational functions. It was notable that several of the delegations to last week's meeting, including those of the US, France, Japan and the UK, were led by government officials, rather than phone companies.

The main issues between the two camps were whether private networks should be allowed to connect with the public networks and how much they should have to pay for the privilege of doing this.

Mixed feelings about moves to a market economy

Job losses, price rises and wage cuts are on the menu in the new Czechoslovakia, reports John Gapper

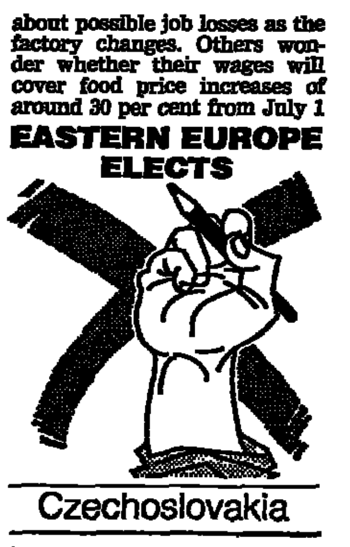
MRS Marta Valickova's main worry at the Meopta factory in Brno, Czechoslovakia, is not having enough to do. She earns about 1,800 korunas (£64) net a month assembling timing devices and is paid by piecework. Materials delays mean she sometimes finds it hard to earn enough money.

Mrs Valickova is a floating voter in the Czechoslovak general election. She is undecided on the merits of the 23 parties – including Mr Vaclav Havel's Civic Forum – except for one. Experience of the Communist Party's control of both government and the factory means she will not vote for it.

Her new shop steward at the factory – which has been making components for the arms industry but is now negotiating with Panasonic on a joint venture to make video cameras – is Ms Eva Gemovova. Ms Gemovova is starting to think about leading a strike on the materials problem.

The union at the factory was rebuilt after the revolution last November. Before then it, and the management, had been run by the Communist Party. The result was that working agreements were not enforced. "Things got written down and then they disappeared," says Ms Gemovova.

But the Meopta workers face new concerns. Some worry about possible job losses as the factory changes. Others wonder whether their wages will cover food price increases of around 30 per cent from July 1



forced by the Government's planned removal of 28bn korunas of subsidies.

These worries help explain why the first free election in Czechoslovakia since 1948 is an open race despite the popularity of the Civic Forum-led Government. The Czechoslovak revolution was led by the intelligentsia and the country's 8m workers have plenty to fear from it.

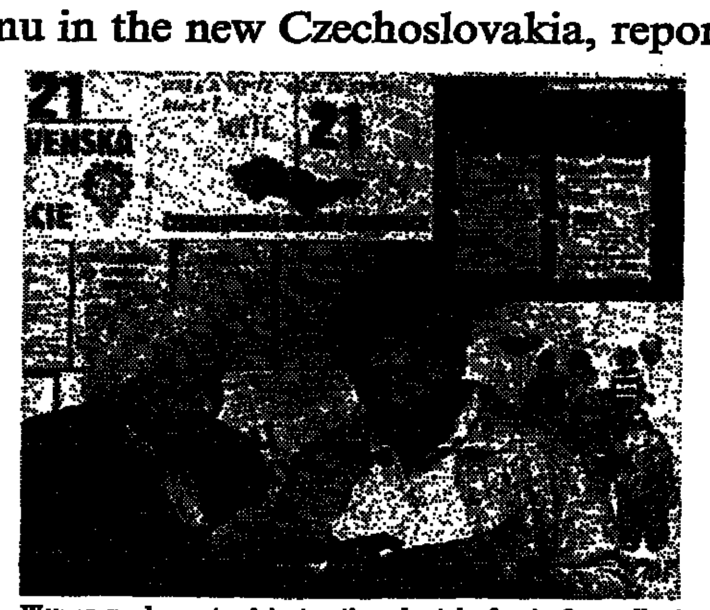
As in other east European states, economic restructuring in the move towards a market economy will place workers at risk of redundancy. Many of the most privileged groups of workers under the old Communist government are likely to lose the most in wages and job security in the new age.

Czechoslovak employment tilts towards heavy engineering, iron and steel, and the environmentally disastrous lignite mines in northern Bohemia and Moravia. The 350,000 workers in the coal and steel industries have earned up to 8,000 korunas a month, compared with the average wage of 3,400 korunas.

In contrast, professional and service employees such as doctors and lawyers are further down the 12 tariffs of wages, both earning about half the wages of miners. Civic Forum faces the electoral problem that the workers under-represented in its ranks have the most to lose from economic change.

Mr Havel, the Czechoslovak president, talked in his New Year speech of "entire branches of industry producing goods which are of no use to anyone". But the transfer of workers out of such employment and into the weak service industries will require extensive retraining and income support.

"There are no services. They do not exist. To get someone to clean your windows is absolutely impossible," says Mrs Jana Ryslinkova, a Civic Forum candidate in the elections for the assembly. The Ministry of Labour estimates that only 16 per cent of workers are employed in services.



Women read a voters' instruction sheet in front of a wall of election posters in Decin, 50 miles north of Prague

Ministers know the danger of moving workers out of heavy industry faster than they can be absorbed into other sectors and regions. The newly-independent Confederation of Trade Unions has put a moratorium on strikes until the election, but there are fears of discontent by the autumn.

Financial support for workers leaving heavy industry has already been agreed. Workers forced out of jobs will get wage-related benefit if they agree to retraining. But Labour Ministry officials believe the cost of benefit might become prohibitive if unemployment rises above 3 per cent.

This is one reason for tensions within the Government over the view of Mr Vaclav Klaus, the Finance Minister, that economic reforms should be rapid. Fears of rising unemployment combined with price increases and wage cuts have helped the Communist Party poll better in industrial regions.

Probably the clearest danger of revolt comes from the lignite miners, whose lifetime guarantee of employment has already been ended. "The worst meetings are with the miners," says Mr Petr Miller, the Labour Minister, talking of the lively questioning he has got at election rallies.

From now on, miners will only be allowed to stay in the industry 15 years and will then have to retrain, in an effort to cut down on the heavy costs of industrial disease in the industry borne by the Government.

By 1992, the wage regulation which has kept miners at the top of industrial earnings is to be relaxed. They face uncertain demand for their coal. "Our people must accept responsibility for their own lives," says Mr Miller. "They cannot just wait for what the state will give them any more."

Whatever the views of miners, the workers at the Meopta factory seem to have accepted that. They want something more modest – an economy that functions well enough to supply them with materials. If reforms do not deliver it, the miners and steelworkers could find partners in discontent.

Condemned Turks escape from jail

By Jim Bodgener in Ankara

ISTANBUL'S police force was put on alert yesterday following the escape of five convicted left-wing prisoners from Bayrampasa high-security prison. All but one were under sentence of death.

The five were named as Mr Aslan Tayfun Ozkok, Mr Aslan Sener Yildirim, Mr Ibrahim Erdogan and Mr Ali Kiriangicli, all from the Dev-Sol movement, and a high representative from the Turkish Workers-Peasants Liberation Party (TKKO), Mr Baba Erdogan. Both Dev-Sol and TKKO are illegal underground movements, prominent in the conflicts between right and left-wing extremists which brought Turkey close to anarchy in the late 1970s before the 1980 military coup.

About 200 people were detained in a separate incident in the south-eastern city of Diyarbakir, after police clashed with hunger strikers and their supporters demonstrating against prison conditions in solidarity with 180 prisoners in Aydin jail by the Aegean.

UK NEWS

Industrial output expected to rise

By Rachel Johnson

UK COMPANIES expect their output to increase over the summer to meet a continued but subdued growth in demand, the Confederation of British Industry said today.

Its May monthly industrial trends inquiry confirms the strength of consumer demand despite high interest rates. This trend – which casts doubt on the success of the Government's counter-inflationary strategy – has been so far indicated this month by robust retail sales, rising import levels, and a jump in manufacturing output in March.

Despite the buoyancy still present in the economy, UK manufacturers report a weakening in overall demand during May.

The CBI inquiry – which polled 1,244 companies accounting for about half of the UK's manufacturing exports and employment – gives a picture of slowly diminishing home demand, with the renewed growth in output mainly directed to overseas markets.

Order books have weakened since last month, especially in the manufacturing sector. It is only for exports that order books are normal – and demand for consumer goods, as opposed to capital goods, is responsible for the continuing health of the export market, the survey reveals.

Among the industrial sectors, the strongest export growth is found in chemicals and food, drink and tobacco while orders are substantially down for metal manufacturers and textile companies.

These export orders, however, are not large enough to compensate from the decline in home demand. The order books of 38 per cent of companies were described as below normal, and only 17 per cent as above normal. The difference between the two – which gives a guide to the trend – is a negative balance of 21 per cent.

David Wigglesworth: "survey suggests that Government pol icy is working"

This decline, and manufacturers' expectations of coming inflation levels, provide the Government with some welcome hints that that its anti-inflationary strategy is working despite this month's contrary indicators.

Mr David Wigglesworth, chairman of the CBI's economic situation committee, said: "Notwithstanding the latest monthly import figures, the survey suggests that the Government's policy of squeezing excess demand out of the economy is working."

The survey established that most manufacturers were not preparing to pass on rising production costs to the consumer and thereby fuel retail price inflation.

The number of companies expecting to increase prices in home markets over the next four months has dropped from a positive balance of 32 per cent in April to 24 per cent in May.

Bank considers legal action over Blue Arrow compensation

By Richard Waters

UBS Phillips & Drew, one of the investment banks involved in the £837m Blue Arrow rights issue three years ago, ~~is understood~~ to be considering legal action against County NatWest over who should pay most of the compensation arising from the issue.

Dillon Read, the US investment bank, also said yesterday that it was fighting an attempt by County to involve it in a suit brought by the GEC pension fund, which lost £5.8m following the issue.

Both the UK banks, along with 10 of their current and former executives and a lawyer, face criminal charges over the way in which the failure of the Blue Arrow issue was not disclosed to the stock market. The compensation, likely to reach nearly £75m in all, is for investors who were allegedly misled by the banks.

P&D's possible legal action emerged as details of the compensation package came to light. County offered compensation of up to £30m three months ago, while P&D, which has been negotiating with institutional investors, has recently offered a package which could cost it up to £45m.

The two banks fell out at the start of the year over how any compensation should be divided between them. P&D argued that County, as sponsors to the issue had been mainly responsible and should bear the lion's share of the costs. County offered to pay half of a joint settlement. When P&D refused, County broke off talks and unilaterally offered compensation which would cost it £30m.

Because P&D handled three-quarters of the placing, it stands to compensate three-quarters of the institutions. Since its offer is equivalent to County's the cost to it would be be £45m.

P&D, which has never made any secret of its animosity towards County over the compensation arrangement, is now considering ways of recovering part of the £45m from County. It claimed yesterday that it had offered to take the matter to arbitration last month and that County had refused, although County said is was unable to confirm it.

Full details of the banks' compensation offers, which have been made after negotiations with the Institutional Shareholders' Committee, are expected to be published later this week or early next week.

Meanwhile, County has attempted to join Dillon Read as a defendant in legal action brought against it by the GEC pension fund. This is thought to be the only action brought by an investor so far, with others preferring to wait for the outcome of negotiations before deciding whether or not to sue.

Dillon Read took portion of the Blue Arrow shares on to its own books after the failed rights issue. It was not criticised by Department of Trade & Industry inspectors in their report on the Blue Arrow affair, although it was "unfortunate" that a Dillon Read executive had not taken independent legal advice. Defending itself against the County move, Dillon Read said that it had been induced to buy Blue Arrow shares by County and as a result had suffered significant losses, thought to top £1.5m.

Flights not disrupted, says BA

By Lisa Wood

BRITISH AIRWAYS yesterday said that the indefinite unofficial strike by 7,000 engineering workers had not disrupted flights over the weekend and claimed normal services could carry on indefinitely.

Some 4,000 engineering workers and their supervisors walked out on Friday, followed by 3,000 other workers on subsequent shifts, in protest at an attempt by the company to impose new working patterns, including 12-hour shifts. Some 500 managers and supervisors at Terminals 1 and 4 are carrying out the routine maintenance to the 200 flights a day out of Heathrow.

British Airways said it had no talks planned with the unions representing the engineering workers.

Mr Joe Fenton, Engineering and Maintenance trade union side secretary said: "We understand problems are building up in the operational areas."

● A one-day strike by air traffic controllers in Paris yesterday led to 35 flight cancellations from British airports.

Interest rates seen as threat to leisure spending

By David Churchill, Leisure Industries Correspondent

THE OUTLOOK for spending on leisure over the next year is the most pessimistic for a decade, says the Henley Centre for Forecasting, part of the WPP advertising and marketing group, in a report published today.

The report suggests that the effect of high interest rates and the poll tax will have wide-ranging adverse repercussions for established leisure sectors, such as do-it-yourself and holidays abroad.

"With the odd exception, and domestic holidays is perhaps the most interesting, most sectors of the leisure market are likely to face more difficult trading conditions in the next 12 months than they have in almost 10 years," the report suggests.

"It is almost the case that if mortgage rates don't hit your customer base, then the poll tax will," it adds. In addition, the report suggests that the leisure slowdown will have the most effect on the southern half of the UK.

"Certainly London and the south-east may no longer prove to be the honey pot which it has been and we can expect to see a significant redistribution of the leisure economy over the next few years," the report states.

Henley, which says total spending in the UK on leisure reached £75.77m last year, says it only expects slow growth for the rest of 1990 and the first half of 1991 "but something of a revival in 1991-92 as the economy receives a pre-election boost."

Total leisure spending this year is expected to reach £81.74m.

One impact of the immediate slowdown, suggests Henley, will be to distort the long-term patterns of leisure spending.

It cites the UK's domestic holiday market which has benefited from those consumers who have seen their disposable spending reduced and who have switched to holidays in the UK rather than abroad.

"Although this sector is likely to show strong growth over the next two years, in the longer term we remain convinced that the urge to holiday abroad is strong enough to attract a relatively greater share of consumer spending on leisure," says Henley.

Henley also points out that, as budgets become tighter, "we expect that some of the traditional low cost per hour leisure activities, of which watching television is the most obvious, will receive an unexpected if short-term boost."

The challenge for leisure operators of the slowdown in leisure spending, says Henley, is to be in the best shape to benefit from the upturn when it comes.

"We believe that consumers's leisure motivation is strong and even though it may take something of a battering in the short term, it will reassert itself once the economic outlook begins to improve," it predicts.

Leisure Futures, Henley Centre for Forecasting, 2, Tudor St, London, EC4Y 0AA, £925.

Divide between government and gown deepens

Norma Cohen finds the universities strongly opposed to the funding scheme which starts next month

RELATIONS between university vice chancellors and the Government are becoming increasingly chilly. The divide between government and gown is being deepened by the latest efforts to bring market forces to bear on higher education. Britain is experimenting with a system of university funding unmatched anywhere in the western world.

On June 22 universities will begin a process requiring them to "buy" student places under a unique bidding system, with the Government determined to sell to whoever can offer the lowest price. Although the Government insists that the quality of academic programmes must be preserved, the vice chancellors are sceptical.

They have agreed in private to meet the challenge. Instead of competing with each other, they will bid together for most of their funds at the same price, thus frustrating the Government's purpose.

In its crudest form, education can be viewed as a commodity with a single customer – the Government – which is determined to get the most for less. Quite simply, the Government would like to see far more people obtain university degrees but wants to cut the cost of educating each one of them.

The universities have given the concept a chilly reception. "In general, people cannot believe that anyone could have invented such a scheme," said Sir Graham Hills, principal at the University of Strathclyde.

Even the heads of some of the newer universities, whose physical plant allows them to consider a substantial increase in student enrolment, are unhappy with the system.

Unlike heads of several of the nation's polytechnics, which have done relatively well out of the Government's efforts to expand further education over the past decade, the universities feel that both the quality and quantity of education they offer is threatened.

And unlike the heads of the nation's polytechnics, some of whom bid aggressively for student places in their first trial run with the new funding system, university heads plan to resist. "Some of the polytechnics did some crazy things," said one vice chancellor, adding that they are now regretting it.

Vice chancellors have informally agreed to bid at government "guide prices" in each subject for existing student places. The guide price offered is intended to be the maximum the Government will pay to educate a student in a specific subject.

Sir John Kingman: 'If we bid below the guide price it will be seen as a sign that the funding is all right'

Several of those that wish to expand enrolment – and many of the newer institutions do – will offer sub-guide price bids in some subjects, but only for additional places.

The Committee of Vice Chancellors and Principals denies that any formal agreement on bidding has taken place, only that members uniformly agree that they cannot afford to bid below the guide price.

"It is not a cartel. It is simply a consensus which has emerged," said one official of the CVCP. But the fact remains that vice chancellors agree they have nothing to gain by underbidding each other.

However, the vice chancellors agree that because bids are sealed, they cannot be sure that everyone will go along with the agreement. And a few sub-market bids will be enough to kill the strategy for everyone.

The Universities Funding Council, the government body responsible for distributing funds, is dubious about the universities' ability to present a unified front. "We'll wait and see. But we'd be very surprised if it happens," said a UFC official, who declined to be drawn on how the Government would respond if the pact was effective.

"It's a rather artificial competition," said Sir John Kingman, vice chancellor of the University of Bristol, describing the new funding structure. "The best we can do is to rob other institutions of money."

Bristol, one of Britain's most selective institutions, with 10 to 20 applicants for each place, would like to expand, Sir John said.

By the year 2000, Bristol would like to grow to 11,000 students from its current 8,000, partly to take advantage of economies of scale and partly to meet the increased demand for university education.

But Sir John said that the guide prices posted by the UFC are too low already. "And if we bid below the guide price it will be seen as a sign that the funding is all right."

The irony of the funding system is that it contains a disincentive for schools to underbid each other. Successive years' guide prices will be based on the average cost of places awarded in year one, which will be cut once the sub-guide price bids are averaged in.

University heads believe that sub-guide price bids are simply an invitation to the Government to offer less money the next time around.

Sir Graham, among others, argues that the system is neither fish nor fowl – that is, it neither fully reflects market forces nor government discretion.

If universities operated on a voucher system, where those who could attract the most students would earn the most money, market forces would be at work. But since the Government decides which establishments will be allowed to offer places, the effects of student choice will be diminished. Furthermore, Sir Graham argues, because students are not given cash in hand with which to make their choices – as they are, say, in the US – they are unaware of the value of their purchases.

Meanwhile, the threat of chronic underfunding of the university system has forced the CVCP quietly to reopen the contentious issue of supplemental student fees. A committee of vice chancellors has been appointed to study the issue with an eye towards making recommendations.

The consideration of supplemental fees has also tacitly been urged by the Government, although Mr John MacGregor, Education Secretary, has said that is a matter for the universities to decide. For their part, the vice chancellors say, the Government simply wants to avoid the public relations disaster likely to ensue if it imposes fees itself.

Surge in imports hits footwear industry

By Alice Rawsthorn

THE FOOTWEAR industry, which is in a precarious condition after months of job losses and company closures, was hit by a fresh influx of imports in the opening months of this year.

The latest statistics from the British Footwear Manufacturers Federation show that the flow of imported footwear into the UK rose by almost 20 per cent to £300m in the first quarter of 1990, compared with the corresponding period last year.

On a more encouraging note the industry managed to boost exports to £63.2m in the first quarter. But the growth in exports was not high enough to compensate for the surge in imports, and the footwear trading deficit deteriorated.

The increase in imports comes at a very vulnerable time for the industry, which has been in recession for almost two years.

Footwear manufacturers, which are still based in and around the traditional shoemaking towns of Leicestershire and Northamptonshire, have been suffering from the alternate problems of declining demand and increasing imports.

Several smaller companies have gone into receivership. Most of the larger manufacturers, including C&J Clark and Lambert Howarth, have been forced to reduce costs by cutting capacity and shedding labour.

There have been more than 5,000 job losses in the past year. The industry now has a workforce of about 44,500 people.

One of the chief difficulties for the footwear companies in the autumn and winter was the low level of retail demand, reflecting the downturn in consumer expenditure. This meant that retailers not only reduced their orders to domestic manufacturers, but that the pattern of orders was more erratic than usual, thereby creating stock and cash-flow problems.

The BFMF said the "downward trend" in output had continued in the first quarter, but the retail market had recovered. The most successful retailers were the small, specialist shoe shops which have fared better than the High Street chains.

UK NEWS

Ministers maintain attack on Labour policy document

By Michael Cassell, Political Correspondent

MINISTERS yesterday maintained their assault on Labour's newly published policy document, encouraged by opinion poll findings that the Opposition's recent popularity may be on the wane.

With Labour preparing an intensive summer campaign to explain and promote its policies, particularly on the economy, ministers intend to concentrate on extracting more detail from Opposition spokesmen on a range of issues.

The Government intends to put much of its effort into attacking their opponents' tax plans and on the public expenditure implications of Labour's proposals. They will also try to show that Labour remains answerable to the unions and that the party organisation is still infiltrated by extremists.

Labour, however, is confident that it can maintain a comfortable lead over the Government during the summer as it explains its new agenda. It hopes to maintain pressure on Mrs Thatcher's personal position and to demonstrate that the Tories have run out of steam in terms of policy formulation.

As both sides step up their summer offensives, new polls over the holiday weekend have provided grounds for encouragement to Labour and the Tories. A MORI poll in The Sunday Times, taken before last week's Labour policy launch, shows the party's lead has been cut by 10 points to 13 per cent. A Harris poll in the Observer, however, gave Labour an 18 point advantage, down five points on a month earlier.

The Harris poll showed both parties were regarded as almost equally competent in controlling inflation, although the Tories emerged as the party best suited to cope with an economic crisis.

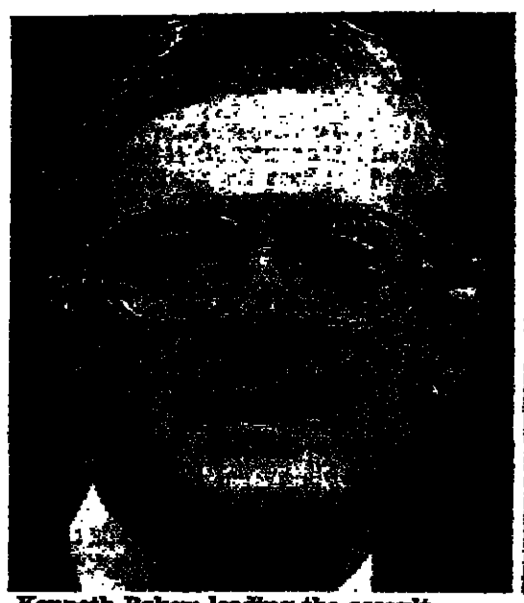
The Government's assault yesterday was led by Mr Kenneth Baker, the Conservative Party chairman, who called on Mr Neil Kinnock, the Labour leader, to expel from his party all members of the All-Britain Federation of Anti-Poll Tax Unions.

Mr Baker produced a list of more than 50 individuals and groups – including 30 MPs – who have publicly backed non-payment of the poll tax. He urged Mr Kinnock to take action against them and any other party activists who opposed payment.

The attack was joined by Mr Michael Forsyth, chairman of the Scottish Conservative Party, who claimed that opposition plans for a Scottish assembly would raise income tax bills for Scottish people by 20p on the pound.

Labour is committed to establishing in its first year of government an elected Scottish parliament with legislative and revenue-raising powers. Mr Forsyth's claim was immediately denounced by Mr Donald Dewar, the shadow Scottish Secretary, as "ridiculous, bizarre farce." He said the assembly would have powers to raise "a little more revenue" than that agreed with the UK parliament.

Mr Forsyth, in a letter to Mr Dewar accusing the party of planning a "massive fraud" on the Scottish people, said that if all the taxes spent in Scotland were to be raised in Scotland, income tax would rise dramatically in order to pay for current spending powers.



Kenneth Baker: leading the assault

Donald Dewar: higher tax claim 'a farce'

Dublin told of political progress on N Ireland

By Kieran Cooke in Dublin

MR PETER BROOKE, Northern Ireland Secretary, visited Dublin yesterday to brief Mr Charles Haughey, the Irish Prime Minister, and Mr Gerry Collins, the Foreign Minister, on recent progress towards starting political dialogue in Northern Ireland.

Mr Brooke has said that the parties concerned – the Ulster Unionists, the Democratic Unionist Party and the mainly Roman Catholic Social Democratic and Labour Party – have all shown flexibility.

Irish government officials said yesterday that they expected talks between the parties in Northern Ireland to start in the autumn, focusing on the composition of a new Northern Ireland assembly and the formation of a devolved administration in the province.

Predicting even modest progress in the minefield of Northern Ireland politics is risky, but Mr Peter Brooke seems to have convinced the province's main parties that talks would benefit all sides.

The Unionists have refused to enter any formal discussions about Northern Ireland's political future since the signing of the Anglo-Irish Agreement in 1985, but the mood appears to be changing.

After meeting Mr Brooke in London last week, Mr James Molyneaux, the Official Unionists' leader, and the Rev Ian Paisley, leader of the DUP, seemed confident that they had won important concessions, including official consideration of an alternative to the Anglo-Irish Agreement. Mr John Hume, leader of the SDLP, also met Mr Brooke and said he found the Northern Ireland Secretary's proposals "very encouraging."

The exact nature of those proposals is far from clear. But Mr Brooke seems to have persuaded Unionists that Dublin must have some part in discussions, particularly if finding a replacement for the Anglo-Irish Agreement is under consideration. Equally, Mr Brooke seems to have convinced the SDLP that there is no danger of concessions to Unionists at the nationalist community's expense.

Ridley absent from EC meeting

By Michael Cassell

MR NICHOLAS RIDLEY, the Trade and Industry Secretary, was under attack from Labour yesterday for "dereliction of duty" after he failed to attend a European Industry Council meeting in Brussels.

Britain and the Netherlands were the only nations not represented by ministers at the meeting, called to discuss issues including development of the European steel industry.

With Mr Ridley facing mounting criticism over his performance since arriving at the Department of Trade and Industry last year, Mr Gordon Brown, Labour's trade and industry spokesman, said the minister's non-appearance represented "the latest in a catalogue of errors" by the DTI.

Mr Brown said he was demanding an immediate explanation from Mr Ridley, claiming he had missed an opportunity to discuss policy issues vital to Britain's interests in steel, shipbuilding and regional policy.

He added: "It is disgraceful that when almost every other EC country with less to lose is represented, no British industry minister is batting for Britain in Europe."

Mr Brown's claim that the meeting was "one of the most important" council meetings of the year was immediately denied by the DTI.

A spokesman said the meeting was "extremely routine" and no decisions were expected.

Mr Ridley was last week criticised by the Commons' Trade and Industry Committee for not taking legal proceedings to have the Fayed brothers, the owners of House of Fraser, disqualified as directors.

His department was also involved in an embarrassing mix-up last week when a Monopolies and Mergers Commission report into the Kingfisher-Dixons takeover was released prematurely.

City employment rise seen in 1989

By David Lascelles, Banking Editor

CITY of London employment levels seem to be holding up better than recent publicity suggests.

A survey by Noel Alexander Associates, the City consultancy, shows that employment at 52 of the main City merchant banks and stockbrokers increased by 1.33 per cent last year. This represented a gain of 354 jobs to 26,943.

Of the companies surveyed, 26 increased their head count in 1989, 20 decreased it, and six made no change.

While employment turnover was very high, the vast majority of job losses were matched by gains. Most redundant staff found work elsewhere in the City.

Another factor was the concentration of media interest on redundancies in broking, trading and selling departments. In practice, Noel Alexander notes, these departments are often small in relation to the company as a whole.

Last year's gain appears to reverse the loss of the previous year when a survey of a different sample of companies showed an overall fall in head count of 6 per cent as companies absorbed the shock of the 1987 stock market crash.

City Employment Survey, Noel Alexander Associates, 91 Gresham Street, London EC2V 7BL.

European fears of US gears quotas

By Michael Skapinker

REPRESENTATIVES of the European gear industry will meet their US counterparts in Birmingham tomorrow to express their fears that the US is about to impose quotas and additional duties on gears from overseas.

Delegates to the annual conference of Eurotrans, which represents companies in the European Community and Scandinavia, are worried about a recent report by the US International Trade Commission on the competitiveness of the US gear industry.

Imports of gears into the US are rising by 25 per cent a year.

Mr Alan Carter, vice chairman of the British Gear Association and an official for the European industry, said yesterday: "We have got to persuade the Americans of the dangers to the whole world industry of erecting a fortress economy."

Mr Carter said that increased US protectionism would be "crippling" to the UK gear industry, which has an estimated output of £2bn a year and employs about 30,000 people.

Cuts in defence may boost jobs

By Andrew Marshall, Economics Staff

CUTS IN UK defence spending could help to reduce unemployment by half a million and add nearly 2 per cent to the economy's growth over the next decade, according to a forecast released today.

This would help to cushion the effect of full entry into the European Monetary System, which is likely to raise unemployment while moderating inflation, according to Cambridge Econometrics, a leading independent economic forecaster.

Its spring report examines the prospects for the UK economy, with particular attention to the effect of changes in eastern Europe, disarmament and UK entry to the exchange rate mechanism of the EMS.

The longer term prospects for the economy can be enhanced considerably by defence cuts springing from the changes in eastern Europe, the report adds. A 50 per cent cut by the year 2000 would, if diverted to other expenditure, yield a 520,000 cut in the jobless figure, raise GDP by 1.84 per cent, and increase investment by 4.27 per cent, according to a simulation exercise.

The UK is disproportionately affected by the "peace dividend," because of its relatively high defence expenditure. Without compensating by redistributing the expenditure, GDP would fall by 3.5 per cent over the same period, and increase unemployment by 460,000.

The report assumes that EMS entry occurs some time in 1991 at a rate of DM2.55 to the pound, below the pound's present level. This is expected to lead to a fall in inflation, which should moderate slightly from 6.6 per cent in 1990 to 6.3 per cent next year, measured by consumer prices.

But ERM entry carries a price, the forecasters warn. "The main cost of joining will be more unemployment as the pound is likely to be stronger as a result and adjustment through depreciation will be less of an option to policy-makers."

Unemployment will start to fall later in the decade, but inflation should also continue on a declining path, reaching 3.9 per cent by the end of the century, converging with that of Germany.

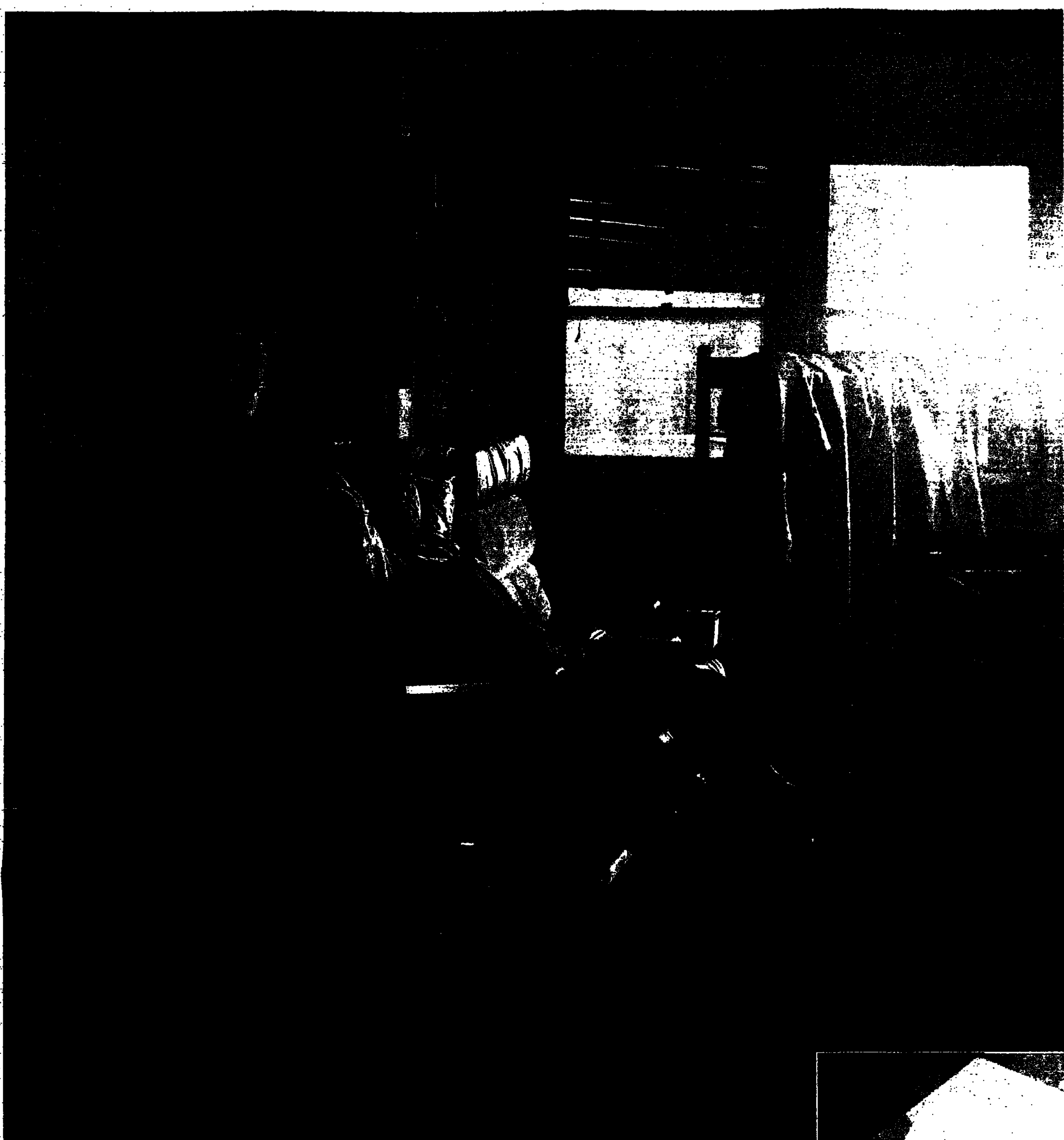
In the short term, the report foresees a relaxation of fiscal and monetary policies by the Government, including a further cut in the standard rate of income tax to 23p in the pound as part of the run-up to the next general election.

But this will result in a rapid deterioration in the balance of payments, pressure on sterling within the ERM, and a post-election crisis forcing a fiscal squeeze. The income tax rate would have to go back to 25p in the pound, and other policies to cramp consumers' style would have to be introduced.

UK Economic forecasts

Key Indicators:	GDP growth		Inflation		Current Account		PSDR†	
	1990	1991	1990	1991	1990	1991	1990	1991
Cambridge Econometrics	1.0	2.5	6.6	6.3	14.7	14.1	9.2	9.0
FT Average forecast	1.4	2.4	7.5	4.6	14.3	11.7	7.3	6.2
Treasury	1.0	1.5	7.25	5.0	15	12	7.0	3.0

† Public Sector Debt Repayment
Treasury forecasts for 1991 are for first half; Treasury and FT average definition of inflation is Retail Prices Index, for end of Q4 1990 and end of Q2 1991; CE definition of inflation excludes mortgages. Treasury and FT forecast for PSDR is financial year, CE is calendar year.

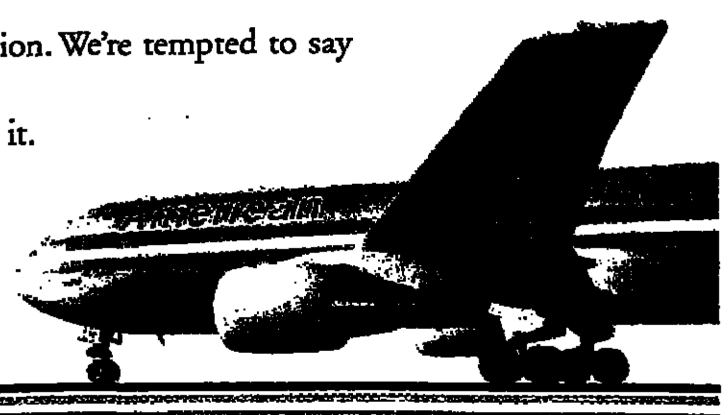


Few airlines can stretch to the comforts of our new seat. Note the legrest, angled at a languid 60° instead of the usual 45°.

Our swivel tray-table lets you come and go without getting into a flap.

GENEROUS RECLINE, FLEXIBLE FOOTREST, SUMPTUOUS LEATHER AND THICK SHEEPSKIN. FLYING OUR *New* *BUSINESS CLASS* IS AN EYE-OPENER. So technically advanced is the basic structure of our new seat, it could have you dozing off even *before* the upholsterer goes to work on it. To our craftsmen, a challenge indeed. And one they amply rose to, judging from the plumpness of the cushions. Likewise the adjustable headrest. The armrests, too, are more fully padded. And everywhere the leather not stretched taut but gathered into rich tucks and pleats (an indication of how much of it those determined craftsmen saw fit to use). For all their expertise, though, the ultimate expert remains you yourself. And the ultimate test a transatlantic flight. To reserve a seat on one of our daily departures from seven European countries, contact your travel agent or local American Airlines office. Meanwhile, we eagerly await your opinion. We're tempted to say you won't have to sleep on it.

Unlike the wine list, our electronic headphones are anything but vintage.



American Airlines Business Class

Installation of new seats will be completed by June.

Tendering cuts costs by fifth, says institute

By Richard Evans

COMPULSORY competitive tendering for local government services saves poll tax payers around 20 per cent on what they would have paid in the past, according to research published today by the Adam Smith Institute, the free market think-tank.

The findings for refuse collection, for example, indicate that, where services have been tendered and awarded to private contractors, costs are broadly 22 per cent lower, compared with non-tendered services.

Where the same services have been tendered, but awarded to a council's direct service organisation, costs are around 17 per cent lower.

"There is a clear conclusion that the introduction of tendering for these services has resulted in a significant reduction in costs," states Mr David Thompson of the Centre for Business Strategy at the London Business School, who conducted the research.

The bulk of the savings appeared to result from higher productivity in the use of labour and vehicles. Savings in overhead costs and reductions in wages seemed to be of less importance.

Mr Thompson adds that the research, published with other papers in an ASI booklet, The Tender Traps, found no evidence of any systematic deterioration in service quality in the case of refuse collection.

However, research into hospital cleaning services, while finding that substantial savings had been made, also reported teething problems.

These stemmed mainly from early inexperience where contracts were not specified sufficiently precisely, but the difficulties appear to be transitional.

Dr Eamonn Butler, director of the ASI, acknowledges that, although recent studies have shown the opportunities available from competitive tendering of local government services, problems had also been revealed. There were inevitably disputes about comparability between different contract bids, and particularly between bids from in-house work forces and outside contractors, he says.

Supporters of compulsory competitive tendering continue to express concern over the unfairnesses and abuses of the system, and fear that contractors could lose interest in tendering if they feel the odds are stacked too heavily against them.

A separate study published in the current issue of The Municipal Journal shows that private sector refuse collection contractors are among the most successful groups that have tendered for local authority work, although direct service organisations have retained a big majority of contracts.

The relatively large size of the contracts involved, averaging over £1.2m, has meant that refuse collection, unlike other services, like cleaning, is dominated by large national or multi-national companies.

In addition to contract values, another factor that attracts big companies is the length of the contracts.

The Tender Traps, ASI, PO Box 316, London, SW1 P3DJ. £13.

Ashley Ashwood

Men of vision: film-maker Adam Williams (left) and inventor James Ashbey are co-founders of the Delta Group, which owns Deep Vision

Inventor shows 3-D television

By David Fishlock, Science Editor

A SMALL group of London entrepreneurs believes it has beaten the electronic industry giants with a convincing demonstration of three-dimensional television pictures that need no special spectacles or screen.

In laboratories in Covent Garden, London, they are demonstrating well-known films – originally shot in both colour and black-and-white – in what they call "full natural perspective."

The effect is undeniably three-dimensional, although there is a loss of resolution compared with the standard TV image. Stills retain the 3-D effect.

The inventor, Mr James Ashbey, has applied for an international patent for Deep Vision, the registered name of his technology.

"Deep Vision is electronically stimulating the brain into creating an illusion," Mr Ashbey says. The process involves taking a normal film and making a digital version, at the same time inserting what he calls stereo cues.

A digital decoder added to an ordinary TV set then uses these cues to send slightly different images to each eye, The key, he says, lies in understanding just what cue the brain is seeking out in any given picture, and focusing all its computing power on that cue.

No matter the angle or distance from which one views the screen, the brain perceives the image in three dimensions.

The underlying theories are to form the basis of a doctoral thesis in human intelligence and perception.

With financial support from RCA-Columbia Pictures International and Brent Walker, the entertainment industry groups, Mr Ashbey, assisted by two post-graduate scientists from the Department of Physics, Imperial College, London, has engineered his ideas into demonstrations displayed on a 28-in commercial TV set.

Deep Vision is owned by the Delta Group, a partnership between Mr Ashbey and Mr Adam Williams, a London film-maker. Delta's two main sponsors have invested £350,000, of which about £100,000 has been spent on developing Deep Vision.

Mr Ashbey sees Deep Vision as an enabling technology, using novel hardware and software to achieve its effect. He believes there may be applications beyond entertainment – for instance in education and training, where it can picture skills in greater detail than a one-dimensional image.

NCC sees need for debt advice network

By Raymond Snoddy

LADY WILCOX, chairman of the National Consumers Council, called today for a network of local debt advice services.

There was now no serious dispute about the need for such a network, Lady Wilcox said, following the publication today of a report called Debt Advice Provision in the United Kingdom.

The report argues that in spite of the rise in the number of people with debts they cannot pay there were still not nearly enough specialist debt advice workers to help disentangle debt difficulties.

More than 500,000 households in the UK now have three or more problem debts, Lady Wilcox said.

The report by Mr Tim Young, of the Community Information Project, said debt advice provision was patchy and, where it existed, funding usually came from local authorities.

Researchers say they found little evidence that the finance industry, with few exceptions, is doing much to fund advice to help "the casualties of the credit explosion."

American Express, for example, has given Brighton Citizens Advice Bureau a £35,000 grant for a two-year pilot project on debt advice.

Out of a total of 247 local authorities in England and Wales responding to the survey, 43 provided no debt advice, 175 had staff providing a limited range of advice and six offered money advice services. The remaining 23 authorities offered specialist debt advice.

The West Midlands had the highest number of agencies with specialist debt advisers. Some areas have little or no debt advice even though they have serious poverty problems. Northern Ireland is particularly badly served.

Citizens advice bureaus in Scotland say that the number of debt cases dealt with has more than tripled in the past four years and now involves about £50m to £70m a year.

Debt Advice Provision in the UK, Debt Advice, Community Information Project, 2nd Floor, Universal House, 88-94 Wentworth Street, London E1 7SA. £5 for report and appendices – £2.50 separately.

Top executive paid £450,000 a year by loss-making Porton

By Peter Marsh

THE top executive at Porton International, a privately owned pharmaceuticals company with sales in 1989 of £15.5m, was paid £450,000 last year, putting him among the top 50 UK manufacturing executives in terms of salary.

The company, set up in 1982 and backed by £76m from some of Britain's biggest financial institutions, showed an operating loss last year of £8.8m.

Details of the salary are shown in Porton's annual accounts for 1989, which have been sent to shareholders in advance of the company's annual meeting on June 8.

The top executive is not named but is assumed to be Mr John Burke, Porton's chief operating officer. Mr Burke, aged 45, was recruited to Porton in 1988 from his previous job as a director of Glaxo, Britain's biggest pharmaceuticals company.

Porton's 1988 accounts indicate he earned £270,000 in that year from Porton for eight months' work.

Mr Tony Vernon-Harcourt, of the Monks Partnership, a recruitment consultancy, said the figure for 1990 was "unusually high." He said most chairmen or chief executives in UK manufacturing who earned £450,000 or more worked for businesses with annual sales of above £1bn.

At Imperial Chemical Industries, Britain's biggest manufacturer with sales last year of £13bn, no one apart from the chairman earned more than Porton's top executive.

Mr Burke was not available for comment. A company official said he could not confirm who received the £450,000 as this was a private matter. In the past the company has justified paying high salaries on the grounds of wanting to attract good people.

Porton was set up by Mr Wensley Haydon-Baillie, its chairman. Among the company's shareholders are Kleinwort Benson, Standard Life, Sun Alliance and the pension fund of the Post Office.

The company suffered a blow recently when it said it had abandoned trials with a herpes drug. In 1985 the company indicated the drug could produce a pre-tax profit of £77m in 1989, out of a total taxable profit for that year of £128m.

The company has restated its profit figures for 1988 after a change in accounting policy. Rather than continuing with its practice of capitalising research and development spending, Porton is instead showing this as a loss in its accounts.

As a result of this change, the company's accounts now say it made an operating loss in 1988 of £5.9m, on sales of £13.7m. The figure has been changed from the pre-tax profit of £5.2m indicated in the company's annual report last year.

According to this year's accounts, Mr Haydon-Baillie received in 1989 a salary of £137,000, the same as in 1988. The accounts reveal Porton spent about £24m in 1989 on acquisitions, development projects and other expenses. Of the original £76m of shareholders' investment, it had at the end of last year about £27m in cash.

Following the abandonment of trials with the herpes drug, Porton is pursuing about 50 development projects which it believes could produce large-selling pharmaceuticals.

Brussels halts coal debt aid

THE European Commission has provisionally stopped the British Government writing off £800m of debts owed by British Coal, writes Michael Skapinker.

The Commission has given the UK until October 1 to explain how the write-off fits into British Coal's future business strategy, according to a report in EC Energy Monthly, a Financial Times publication.

The UK had sought approval for £2.6b of state aid to reflect a decline in British Coal assets, but the Commission decided to approve only £1.8bn of the subsidy requested.

The subsidies to reflect the decline in British Coal's assets were part of an EC agreement announced in March. It allows the UK to provide £5.7bn in aid to smooth the coal industry's passage into the private sector.

Inefficiency seen in oil drilling

By Steven Butler

THE offshore drilling industry might face turbulence if there was greater pressure from the oil industry to give drilling contractors more responsibility and incentive to perform, according to a study by Smith Rea Energy Analysts.

The study says drilling contractors have so far failed to take full advantage of new technology that promises a big increase in drilling efficiency.

Efficiency in the UK, defined as drilling time per well, has increased by only 2 per cent a year recently, or 1.2 days per well.

More than 6,250 wells have been drilled in the north-west Europe continental shelf since the 1960s, at a cost of more than £30bn, the report says. Smith Rea attributes the slowness of the industry to adopt newer technologies to contractual conditions under which mobile drilling rigs are hired on a day-rate basis.

That arrangement passes the substantial risks involved in drilling on to the oil company hiring the rig, and oil companies will usually oversee operations closely. The drilling contractors, however, have little direct incentive to improve efficiency.

Shell, has recently indicated that it wants to pass more responsibility on to drilling contractors. If that caught on through the industry, it would be likely to lead to payments being made on the basis of footage drilled or, possibly, on a negotiated per-well basis.

Contractors would then have an incentive to speed up operations and invest in the latest technology.

However, the study concludes: "If (Shell) succeeds in establishing this new pattern and firm prices for wells or footage become the norm, the turbulence experienced in the drilling sector in the 1980s may appear modest in comparison with what is to come in the 1990s."

Offshore Business: Drilling and Well Servicing, Smith Rea Energy Analysts, Hunstead House, Chartham, Canterbury, Kent, CT4 7PL. £190.

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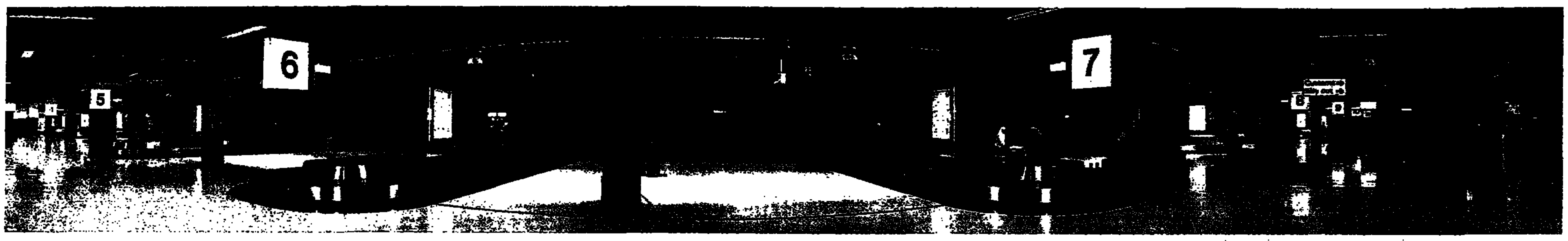
TERMINAL THREE...REBORN

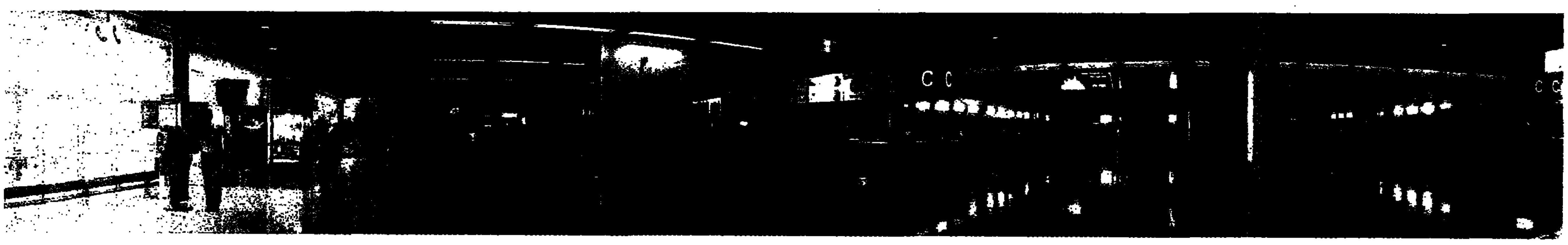
MORE STYLE

MORE CHECK-INS



MORE CHECK-OUTS

MORE SPACE



MORE INVESTMENT

MORE EXPERIENCE

Heathrow's Terminal 3 has been transformed. For the last four years work has been going on behind the scenes and while over six million passengers per annum used the terminal during this project, few were aware of what was happening. Now, everyone will appreciate the difference.

We have spent £110 million enlarging the terminal and creating a spacious new environment to give you a better standard of service. There are more check-in desks, a brand new computerised baggage handling system and a larger baggage reclaim hall to help speed your journey.

You can visit Europe's largest Duty and Tax Free store, browse among a range of quality shops or relax in calm, comfortable surroundings.

All this has been achieved without closing the terminal. In fact it has been one of the most sophisticated projects ever attempted on a building as complex as Terminal 3.

We at BAA have the experience and commitment to build Britain's airports for the future. And, as the reborn Terminal 3 shows, to keep them ahead of their competitors.

B·A·A
Heathrow

The World's Premier International Airport

DIARY DATES

Trade fairs and exhibitions: UK

June 1-2
Kensington Fashion Fair (071-727 1929)
Kensington Town Hall

June 12-14
International Fire Protection Exhibition — FIREX (01-207 5599)
NEC, Birmingham

June 14-23
Grosvenor House Antiques Fair (0799 26699)
London

June 19-21
PC User Show (071-404 4844)
Olympia

June 21-24
Royal Highland Show (031-333 2444)
Ingliston Showground, Edinburgh

June 23-24
Classic Car Show (044282 3388)
Brighton

June 26-28
Midland Secretary Show (061-868 4466)
NEC, Birmingham

June 28-30
Careers and Higher Education Fair - DIRECTIONS (081-940 5668)
Olympia

Overseas exhibitions

Current
International Spring Fair (021-455 9600) (until May 31)
Budapest

June 10-13
International Petroleum and Petrochemical Equipment Exhibition - PETRO/EXPO (061-9773474)
Mexico City

June 12-14
CAD/CAM & Robotics Exhibition (081-940 8777)
Toronto

June 14-18
International Environmental Protection and Control Equipment and Technology Exhibition (0494 729406)
Manila

June 26-30
International Industrial Development Technology, Machinery and Equipment Exhibition — ITM (071-486 1951)
Kuala Lumpur

Business and management conferences

June 6
International Business Communications: Investment Trusts (071-637 4383)
Regent Crest Hotel

June 7-8
The Textile Institute: Market opportunities in a changing world (061-834 8457)
Royal Garden Hotel, London

June 11-15
NALGO annual conference (071-388 2366)
Bournemouth

June 12
IBC: Dematerialisation - the implications for the securities industry (June 11); The future for the UK securities industry (June 12) (071-637 4383)
Cafe Royal, London

June 12-13
Financial Times Conferences: The publishing industry in the 90s (071-925 2323)
Hotel Inter-Continental, London

June 15
CBI Conferences: Evaluation — The key to investing effectively in training (071-379 7400)
Centre Point, London

June 15
The Economist: Technology: Making your IT investment work for you (071-976 6565)
Marriott Hotel, London

June 20
Mintel: Tomorrow's retailing: Juggling for success (071-606 4533)
The Barbican, London

June 21-23
Beverley Training Services: Winning the trade battle in Greater Europe (0482 868362)
Willerby, near Hull

June 25-26
Financial Times Conferences: World gold conference (071-923 2323)
Le Meriden, London

July 2-3
Financial Times Conferences: North Sea Oil and Gas (071-925 2323)

FINANCIAL

YESTERDAY
DIVIDEND & INTEREST PAYMENTS-
Amdahl Corp. 25cts
Betacom 0.1p

TODAY
COMPANY MEETINGS-
Billon (Percy), Billon House, Uxbridge Road, Ealing, W. 12.00
Hampden Homecare, Hampden House, 14a Garfield Street, Belfast, 11.00
Jacks (William), The Berystede Hotel, Bagshot Road, Ascot, 11.30
T. & S. Stores, Post House Hotel, Great Barr, Birmingham, 12.00
Triefus, 1 Serjeants Inn, E.C., 3.00
BOARD MEETINGS-
Finals:
Brewmaker
Centreway Tst.
City of London PR Grp.
Hartwell
Mercury Asset Mgt.
Ritz Design
Rolfe & Nolan Computer Servs.
Slebe
South News
Warburg (S.G.) Grp.
Interims:
Svenska Cellulosa AB SCA
Tunstall
Westland Grp.
Young (H.)
DIVIDEND & INTEREST PAYMENTS-
Alexandra Workwear 3.1p
Bredero Properties 4.5p
Britannia Grp. 3.8p
Consolidated Freightways 28.5cts
Manufacturers Hanover Tst. Fltg. Rate Sub. Nts. 1994 £192.19
Morgan (J.P.) Int. Finance Gtd. Fltg. Rate Nts. 1997 $218.82
Masterlin Grp. 1p
Page (Michael) 1.2p
Raylon Grp. 4.15p
Rockware Grp. 1.3p
Savage Grp. 1.5p
Slough Estates 6.6p
State Bank of Victoria 11% Gtd. Nts. 1992 5.5pc
Swallowfield 3.4p
Tibbett & Britten 5.1p

TOMORROW
COMPANY MEETINGS-
Black (A. & C.), 35 Bedford Row, W., 12.00
Clinton Cards, The Crystal Building, Langston Road, Loughton, Essex, 10.30
Dagenham Motors, The Savoy Hotel, W., 12.00
Foseco, The Brewery, Chiswell Street, E.C., 12.00
Proudfoot (Alexander), 11 Devonshire Square, E.C., 12.00
Prudential Corp., Plaisterers Hall, 1 London Wall, E.C., 11.30
Queens Moat Houses, The Royal Concert Hall, Wollaton Street, Nottingham, 2.30
Rolls-Royce, The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 11.30
Thames T.V., The Waldorf Hotel, Aldwych, W., 2.30
Wace, Wace House, Shepherdess Walk, N., 10.30
BOARD MEETINGS-
Finals:
Dunhill
Eurocopy
Plysu
Interims:
Caspian Oil
Speyhawk
DIVIDEND & INTEREST PAYMENTS-
Bowater Industries 10p
Cadbury Schweppes 7.9p
Clayform Properties 6.5p
GKN 12.5p
OK Bazaars 6% 2nd Prf. 80cts
Ossory Estates 0.4p
Paterson Zochonis 7½% Prf. 3.75p
Porth Grp. 3.2p
Prudential Corp. 6.1p
P-E Intl. 3.9p
Queens Moat Houses 1.22p
Quotient 1.5p
TT Grp. 2.5p
Throgmorton Tst. 12⅛% Stk. 2010 6.15625pc
Williams (John) Industries 0.8p

THURSDAY MAY 31
COMPANY MEETINGS-
Bank of Wales, Park Hotel, Cardiff, 2.30
Billam (J.), Abbeydale Park, Dore, Sheffield, 12.00
Clarkson (Horace), 12 Camomile St., E.C., 12.00
Kwik-Fit, Stationer's Hall, Ave Maria Lane, E.C., 12.00
Magnolia, Magnolia House, Rutherford Drive, Wellingborough, Northants., 12.00
Sema Grp., 22 Long Acre, W., 10.00
Tyndall, 40 Gutter Lane, E.C., 2.30
BOARD MEETINGS-
Finals:
Babcock Intl. Grp.
British Gas
Brown Shipley
Estates & Agency Hldgs.
Macdonald Martin Distilleries
Storehouse
THORN EMI
Interims:
B.A.T. Inds.
Doctus
M. & E. Grp.
Sidlaw
Sleepy Kids
Stratagem
TSB Bank Channel Islands
United Scientific
DIVIDEND & INTEREST PAYMENTS-
Bank of Montreal 10% Nts. May 1990 5pc
Bank of Scotland 9¼% Non-Prf. 4.625p
Do. Und Var Rates $223.61
Bankers Inv. Tst. 0.66p
Do. 3.5% Prf. 1.75p
Bridport-Gundry 6% Prf. 2.1p
Bryant Grp. 8% Prf. 2.8p
Butler Cox 3.5p
Canning (W.) 7½% Uns. Ln. 88/93 3.75pc
Capital & Counties 6¾% 1st Mtg. Deb. stk. 95/2000 3.38pc
Carbo 4.5p
Cater Allen Gilt Income Fd. 30p
Citygrove 7.75% Cnv. Prf. 3.875p
Clinton Cards 3.03p
Conder Grp. 10p
Dagenham Motors 3.75p
Dean & Bowles 3.25p
Delaney Grp. 0.2p
Drayton Consolidated Tst. 4.25p
Dunlop Plantations 6% Prf. 2.1p
Electric & General Inv. 10¾% Deb. 2011 5.375pc
Estates & General Invs. 2.625p
Fifth Throgmorton 7.25% Cnv. Ln. Stk. 2003 3.625pc
First Chicago Overseas Finance $218.82
Fitch-RS 6p
Forward Technology Industries 1.2p
Fundinvest 10.06p
Future Hldgs. 1.5p
Gestetner Hldgs. 10% Uns. Ln. 90/95 5pc
Goodhead Grp. 7% Cnv. Prf. 3.5p
Greene King & Sons 6¼% Uns. Ln. 88/93 3.125pc
Hays 1.15p
Hickson Intl. 5.4p
Hunting 8.25% Cnv. Prf. 4.125p
Hydro-Quebec 15% Ln. 2011 7.5pc
ISA Intl. 0.78p
Johnson Matthey 6½% Stk. 85/90 3.25pc
London & European Grp. 10½% Uns. Ln. 1993 5.25pc
Mayborn Grp. 2.5p
Metsec 3.45p
Mexico Fd. 39cts
Microfilm Reprographics 1.5p
Midland Bank 14% Sub. Uns. Ln. 2002/07 7pc
Minstergate 10% Prf. 5p
NMW Computers 0.25p
Peel Hldgs. 5.25% Cnv. Prf. 2.625pc
Plaxton Grp. 5.5p
Rea Bros. 0.25p
Record Hldgs. 2.45p
Rosehaugh Greycoat Estates 11% 1st Mtg. Deb. 2014 5.5pc
Rotork 4.5p
Royal Bank of Scotland 5½% Prf. 1.925p
Do. 11% Prf. 3.85p
Russell (Alexander) 1.07p
Saint Modwen Properties 8.5% 2nd Prf. 4.25p
Scottish Cities Inv. Tst. 7p
Do. "A" NV 7p
Sidlaw Grp. 4.25p
Sphere Inv. Tst. 0.9375p
Stoddard Sekers Intl. 4% Prf. 2pc
TIP Europe 1.7p
TR City of London Tst. 1.03p
Tate & Lyle 7.25p Cnv. Prf. 3.625p
VTR 1.1p
Wade Potteries 10% Prf. 5p

FRIDAY JUNE 1
COMPANY MEETINGS-
Blue Circle, The Inn on the Park, Hamilton Place, W., 12.00
Scottish T.V., Cowcaddens House, Glasgow, 12.00
Watts, Blake, Bearne & Co., The Manor House Hotel, Moretonhampstead, 12.00
BOARD MEETINGS-
Finals:
Henderson Administration Grp.
TDS Circuits
TR Property Inv. Tst.
Interims:
Brooks Tool Engineering
DIVIDEND & INTEREST PAYMENTS-
AMAX 11.75p
Agricultural Mortgage Corp. 4½% Deb. 81/91 2.25pc
American Brands 66cts
Asarco Inc. 40cts
BAT Industries 12¼% Uns. Ln. 2003/08 6.125pc
Barlows 1.85p
Blackwood Hodge 1p
Braithwaite 3.5p
Bridon 5.5p
CNA Gallo 5% Prf. 2.1p
Cater Allen Hldgs. 5% Prf. 1.75p
Do. 4.2% 2nd Prf. 2.1p
Daniels (S.) 1.25p
Delta 9.3p
Gencor 14cts
General Cons. Inv. Tst. 4¼% "A" Prf. 1.4875p
Goodman Fielder Wattie 5cts
Govett Atlantic Inv. Tst. 5% Prf. 1.75p
Do. 4½% Prf. 1.575p
Do. 5½% Prf. 1.925p
Govett Oriental Inv. Tst. 1p
Halstead (James) 4p
Hambros Inv. Tst. 3½% Prf. 1.225p
Illingworth Morris (Saltaire) 7% Non-Prf. 1.225p
Inco 25cts
Ingersoll-Rand 30cts
Jones (A.) 6½% Prf. 2.275p
Kirklees Metropolitan Council 11.6% Stk. 2031 5.8p
Law Debenture Corp. 4½% Deb. 2.25pc
Lewis (John) Partnership 5% Prf. 1.75p
Do. 7½% Prf. 2.625p
Lilleshall 2.4p
Lombard North Central 6% 1st Prf. 2.1p
Do. 5% 2nd Prf. 1.75p
Magnolia Grp. 3.65p
Marley 4.25p
Menzies 4.5p
Metalrax 2.84p
Monks Inv. Tst. 11% Deb. 2012 5.5pc
M. & G. Intl. Income Fd. 1.2p
Northchart Invs. 3cts
Ocean Grp. 9.19p
Pearson 12.5p
RMC Grp. 12.2p
RPH 4% Prf. 1.4p
Do. 8% Prf. 2.8p
Secure Tst. 6p
Senior Engineering Grp. 1.75p
Shandwick 0.89p
T. & S. Stores 2.5p
Watney, Mann & Truman 4¾% Deb. 88/93 2.375pc
Do. 6½% Deb. 87/90 3.25pc
Whitbread 6½% Deb. 88/91 3.25pc
Wright (John) (Weaving) 4½% Prf. 1.575p

APPOINTMENTS

New property company chief

BURWOOD HOUSE GROUP, the new joint venture retail property development company set up by Asda subsidiary Gazeley Holdings and Arlington Securities (the British Aerospace property subsidiary) has appointed Mr Raymond Mould, chief executive of Arlington Securities, as chairman.

Mr Ted Dadley, chairman of Arlington Retail Developments, is apppointed chief executive of the Burwood House Group and chairman of its two subsidiaries Burwood House Investments and Burwood House Developments. Mr Simon Winslow, managing director of Arlington Retail Developments, becomes group development director and managing director of the two subsidiaries.

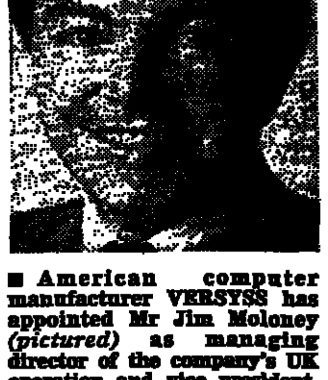
Joining them on the Burwood House board are Mr Humphrey Price, finance director, Arlington Securities, Mr Ron Scott, finance director, Asda Group, Mr John Duggan, managing director, Gazeley Properties, and Mr Chris Rowlands, deputy managing director, Gazely Holdings.

■ Mr Christian Hubeaux has been appointed to the board of P & P as director of European operations and international marketing strategy with responsibility for developing P & P's business across Europe. He will be based in Geneva,

■ Mr Richard K. Youngs has been made a joint managing director of INTERCONTINENTAL EXCHANGE.

■ Dr Anthony Davies has been appointed a director of MIDLAND MONTAGU ASSET MANAGEMENT, part of Midland Montagu, the international and investment banking arm of Midland Group. He was a director of County NatWest Investment Management.

■ Mr Terry Pedersen, founder of SEE, has been appointed a non-executive director of NORBAIN ELECTRONICS.



■ American computer manufacturer VERSYSS has appointed Mr Jim Moloney *(pictured)* as managing director of the company's UK operation and vice president, international sales and marketing. He was previously with Burroughs Ireland and workstation manufacturer Lexidata.

■ BARBICAN CAPITAL MANAGEMENT has appointed Mr Neil Morgan as marketing director. He joins from Saudi International Bank.

■ Mr Jim McLure has become managing director of PHOENIX WINDOWS, part of the Phoenix Timber Group. He joins from the building products division of Norcros, where he was operations director.

■ EXCO INTERNATIONAL is appointing Mr Kazuo Fujii a director on July 1. He will be based in Tokyo. Mr Fujii is currently a managing director of the Bank of Tokyo from which he will be retiring at the end of June.

CONTRACTS

Manchester sewage treatment works

BIRSE CONSTRUCTION is in negotiation for the £20m phase 1 contract for the North West Water's Daveyhulme sewage works in Manchester. This is the first phase of the £50m scheme to modify the sewage treatment works to bring it in line with the new European Community standards.

The normal tender style has given way in favour of a specialised two stage selection of pricing procedure due to the onerous time constraints dictated by environmental requirements.

The second contract is for a prison at Armly, Leeds, costing £10m, with a 104 week construction period. The project comprises new cell blocks, hospital, kitchen, sports hall and amenity building. The company has also received a £10m order from Waddington Cartoons, Leeds for a 270,000 sq ft factory.

£29m orders for Keller

KELLER, the international foundation contracting group, has been awarded contracts worth £29m. They include a contract for specialist foundations at a site near Gorki in Russia where the Keller Soilcrete system will be used to form foundations for a new paper mill.

Managed by Keller's German subsidiary, this is the Keller Group's first contract in the Soviet Union.

Other significant contracts include specialist grouting on the Dusseldorf Metro project worth £2.6m, a £1.7m ground improvement contract for the new Bequia Airport, St. Vincent and contracts valued at £4m for ground anchorages on the Castle Mall project in Norwich and diaphragm wall work in London Docklands.

In the US, Hayward Baker, the Keller Group's North American subsidiary, is completing a £3.1m grouting contract on the Los Angeles subway. Hayward Baker will also shortly commence work in connection with the Baltimore mass transit tunnel project.

£6.4m warehouse project

COSTAIN CONSTRUCTION, a subsidiary of Costain E & C, has been awarded three contracts worth over £10m for work in Leicestershire and Yorkshire. The largest, worth £6.4m, was awarded by The Lutterworth Partnership (Asda Group and Elmswood) for the construction of a warehouse and office building at Magna Park Industrial Estate, Lutterworth.

The 20,000 sq metre warehouse and the two-storey office building will be built on concrete foundations, having steel frames with external composite cladding, troughed metal insulated roofs and concrete floors. Work is due to be completed in mid-December.

Otto (UK) has awarded a £2.8m contract to build a 1,800 sq metre factory unit, with offices and a two-storey plant area in Measham, Leicester. The buildings will be constructed on reinforced concrete foundations with steel frames and pre-cast concrete upper floors and reinforced concrete ground floors.

Costain's Wetherby office has been awarded a £1.3m contract for the refurbishment of five buildings for the Army at Dishforth airfield.

Mixed batch for Allen

ALLEN BUILDING and ALLEN-FOX CONSTRUCTION have been awarded contracts worth over £16m including a £2m school in Liverpool; a leisure facility in Manchester, a hostel in Derby as well as the construction of a £2m factory for the Australian company Protector Safety in west Lancashire, a £2.5m factory for Ford Motor in Liverpool and advance units in Wigan for English Estates worth over £1m. Allen Commercial Developments is developing offices in south Manchester and a 30,000 sq ft building at Preston.

£43m work for Beazer companies

BEAZER REGIONAL CONSTRUCTION companies have together won over £43m of new business in the last month.

The largest contract, worth £15.3m, is for the construction of a church and office development in Milton Keynes for Cornerstone Trust and Beazer Developments and an Asda superstore in Bedford worth £5.9m.

Other work includes flats and houses for London and Quadrant Housing Trust worth £3.3m for Beazer Construction London and office buildings in Bristol for Arlington Business Parks worth £3.5m.

Docklands plan

A single roofing contract, worth £1m, which the Confederation of Roofing Contractors believes could be the biggest ever awarded in the UK, has been won by BRITANNIA ROOFING SERVICES. The contract is for Swedish owned NCC Property and Swedish insurance group SPP's £200m mixed development at London's East India Dock. The 80,000 sq metres complex, mostly office but with some retail and leisure at ground level, varies from six to ten floors and comprises four separate blocks alongside the Thames. Britannia's contract involves 4,600 sq metres of roofing.

Stadium update

JOHN LELLIOTT (CONTRACTS) has been awarded a £1.5m contract to refurbish the East Stand for Arsenal Football Club at Arsenal Stadium, Highbury, London. Work involves provision of a booking office and remodelling the interior to provide office and changing areas. Work is due for completion in August.

MANAGEMENT: The Growing Business

High and low profile approach to lobbying

Charles Batchelor on objectives of the small firms organisations

Tim Eggar, the small firms minister, failed to show up for a debate on the budget at the recent annual conference of The National Federation of Self-Employed and Small Businesses. So when he did appear at a later session, he was given a noisy reception.

Eggar, who insists he had not been invited to the debate, then made matters worse for himself by responding to a question with an injudicious answer that appeared to suggest that he did not fully appreciate the concerns of his audience. This prompted jeers and heckling.

The strength of emotions generated at the federation's conference was unusual. The small business lobby groups normally strive for more amicable relations with Westminster and Whitehall.

However, rising interest rates, the introduction of the Uniform Business Rate and the growing number of business failures may make for a period of increased tension. And even a government as committed as the present one to the promotion of the small business sector is constantly skirmishing with small firms representatives over the details of its policies.

Just how effective the small business groups have been in lobbying government over the past decade is difficult to judge. The lobbyists are quick to point to government measures and programmes which they attribute to their own activities, though there is the strong likelihood that the government would have taken some of these steps anyway.

What is certain is that the increasing recognition of the importance of small businesses during the 1980s has led to a far more positive response from Whitehall to the lobbyists' efforts. "There has been a big change over the past five years in the willingness of officials to take part in our discussions," says Barry Baldwin, economic adviser to the Union of Independent Companies and a senior partner at accountants Price Waterhouse.

Officials and ministers, for their part, find the lobbyists useful because they can provide material to back their own arguments with the Treasury, the Inland Revenue and Customs & Excise.

Largest among the groups devoted solely to representing small businesses is the National Federation with 50,000 members.

The federation takes a fairly high-profile approach – it spent £10,000 on a display stand at the last Labour Party conference – but also does much work behind the scenes, briefing ministers, MPs and civil servants. Members in its 300 local branches lobby their constituency MP. The federation claims successes in simplifying VAT and preventing employers from having to take on the burden of administering the government's family credits scheme.


Stephen Alambritis: helping to formulate an amendment to the Finance Bill

Alone among the small business groups based outside London – the federation's headquarters are in Lytham St Annes, Lancashire – it has a small parliamentary office in the capital. Stephen Alambritis, parliamentary officer, is currently engaged in helping John Watts, a member of the finance standing committee, formulate an amendment to a detail of the Finance Bill.

Most controversial among the small firms groups is the Forum of Private Business set up by Stan Mendham, a pugnacious former "company doctor," in 1977. The forum specialises in regular postal referendums of its members to discover their concerns. It translates these into high-profile campaigns on issues such as the late payment of debt and the inadequacies of the services which banks provide small business customers.

The forum's populist approach has brought it 17,400 members but rival small firms groups criticise it for being "a one-man band" and for arousing government hostility on issues which they are tackling in a more low-key manner.

Mendham counters that his six-weekly referendums get straight to the heart of members' concerns and that a high profile is needed to achieve change. Much of the forum's lobbying is also behind-the-scenes, he adds.

The forum has notched up successes although observers like Timothy May, a researcher at Manchester Polytechnic who is working on a study of government-small business relations, believe the low-profile approach is more effective. Some of the forum's rivals concede, however, that its high profile methods do help to create initial interest in issues which they then exploit.

Oldest established of the small firms groups is the Association of Independent Businesses which was set up in 1968. The association has 800 direct members, and about 20,000 members who belong to affiliated organisations. The association adopts a low-key approach – lobbying on the basis of careful research of the issues. "We prefer to do things quietly and without histrionics," says Brendan Donnellan, general secretary. The association believes it was an important influence on the government's recent decision to exempt from VAT invoices which were unpaid after two years.

Smallest of the small firms organisations is the Union of Independent Companies, which represents about 300 small and medium-sized manufacturing companies. "Our main role is not to 'achieve things' but to establish a dialogue which one hopes will mean (government) decisions are better," comments Barry Baldwin. The union does believe, however, that its efforts led to the creation of the Loan Guarantee Scheme in 1981.

The Small Business Bureau is the odd man out as the only lobby group which is affiliated to a political party, the Conservatives. But "We are nobody's poodle," says Michael Grylls, MP, its chairman. The bureau, which has 5,000 "subscribers" says it fought a successful campaign to block government plans to wind down the Loan Guarantee Scheme.

In purely numerical terms small businesses dominate both the Confederation of British Industry, with its 250,000 members, and the Association of British Chambers of Commerce, representing chambers with 75,000 members, though both organisations speak for businesses of all sizes.

The CBI has a smaller firms council and small businesses are represented on its specialist and regional committees. Even so, rival groups accuse the CBI of trimming its small firms lobbying to suit its larger members' interests. Andy Scott, deputy director of its smaller firms section, says, however, that there are relatively few areas where this occurs.

Where the CBI scores is in the professionalism of its lobbying. "The CBI has plenty of officials and it understands the codes," notes Timothy May.

The Association of Chambers of Commerce is keen for the government to give the chambers more explicit recognition as *the* chief representative and service body for local business. But other small business groups fear this could lead to the chambers acquiring statutory powers – requiring every business to register and creating a possible bureaucratic barrier to the establishment of new businesses.

Impressive though the list of small business organisations is, their sheer diversity can work against them. "The fragmentation of the small firms organisations is a weakness," says Timothy May. It means most have only limited resources to research and present their views.

The small firms groups are also hampered by their failure to recruit more than a tiny proportion of the small business community of 3m self-employed and 1.6m VAT-registered firms.

"If they make a good point we will take it up," comments one civil servant. "But because they are small organisations they tend to be less well informed than other industrial lobby groups."

An attempt has been made to get the small business groups to speak with one voice – with very limited success. In the early 1980s, at the prompting of the small firms minister of the time, the small business organisations set up a liaison group to exchange views. This group still meets on a regular basis but the interests of the various members usually differ too much for it to lead to concerted action.

Not everyone agrees that this is a bad thing. "We take the view that diversity is good," says the CBI's Andy Scott. "If all the organisations spoke with one voice it might make the minister's job easier but we believe that it is better to have a pile of letters arriving on somebody's desk rather than just one."

The cost of late payment

Charles Batchelor on the UK's poor credit discipline

Should businesses in Britain be given extra legal backing in their attempts to get their customers to pay on time? British firms wait on average 78 days for their bills to be paid despite the fact that their stated payment terms are just 30 days. More than £100bn is owed to small businesses alone, according to one estimate.

The government has refused to respond to pleas for help, arguing that if businessmen tightened up the management of their sales ledgers the problem would be largely solved.

But pressure for action has continued with the publication last week of a study* of Britain's poor payments discipline by Intrum Justitia, a credit management group. Intrum is mailing its study to 15,000 UK companies and 1,000 trade organisations.

The Intrum study calculates that the total cost of providing customers with an extra 48 days of credit is equivalent to 5.7 per cent of the average business's turnover and, assuming a net profit margin of 10 per cent, more than half its net profit. Instead of borrowing to invest, companies borrow to fund their sales ledger, it says.

The impact of the late payment of debt is felt in several ways. Companies have to borrow more to finance the shortfall; they spend more on chasing and administering unpaid invoices; when payment is finally made it is worth less because of the impact of inflation; while debts which are never settled have to be written off completely.

British companies with competitors elsewhere in Europe will be put at a disadvantage by this poor payments discipline, argues Bo Goranson, Intrum chairman. German, Swedish and Norwegian companies wait just 48 days for their debts to be settled; Danish firms wait 50 days while Dutch companies wait 52 days. Only Italian and French companies wait longer than British businesses – 90 and 108 days respectively – but since they quote 60-day terms anyway they are still better off in relative terms.

British companies must attach greater importance to chasing debt but legal changes are also necessary, suggests Intrum. At present, for example, if a debtor settles a claim just before litigation commences, the creditor has no legal right to any interest.

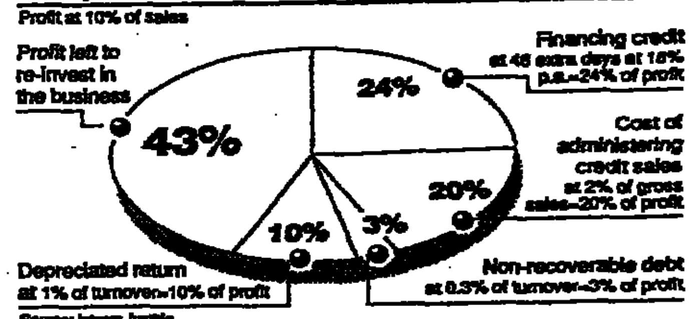
Intrum is urging that the law recognises a creditor's right to recover interest as well as the original debt; that creditors be allowed to claim the true cost of recovering the amount owed from the debtor; and that a more realistic rate of interest be introduced in commercial debt cases. The present rate of 15 per cent means it is cheaper for a debtor to "borrow" from his supplier by not paying him than to borrow from his bank.

The interest due on any single invoice might be small but if a customer made a habit of delaying payment the sums could accumulate sufficiently to justify legal action. The creditor would record the amount owed as contingent asset in his books while the debtor would be forced to record a contingent liability.

* *Getting Paid. Available from Justitia Unicol, 54 High Street, Harrow-on-the-Hill, Middlesex HA1 3LL. 8 pages. Free.*

How profit is carved up to finance debt

Profit at 10% of sales



Source: Intrum Justitia

In brief...

■ Family background is an important factor in determining whether an individual will set up in business on his or her own and, once started, whether he or she will succeed. It is more important than any single character trait or combination of traits.

These are the conclusions of a study, The Making of Entrepreneurs.* In Britain about 35 per cent or more of the self-employed and business owners have a self-employed parent, compared with the working population generally where only one in four people has such a background.

The self-employed are also more likely to have other relations and friends in small business or to have previously worked in a small business themselves than the population at large. This network of relations and friends improves the entrepreneur's chances of success.

"Small firms breed other small firms, both through the inter-generational link and through the incubation of other new firms by their former employees," the study says.

**By Graham Bannock and John Stanworth. Published by Small Business Research Trust, Open University, Walton Hall, Milton Keynes MK7 6AA. Tel 0908 655831. £10.*

■ Most small business owners object to legislation which obliges them to make poll tax deductions from the salaries of employees unwilling or unable to pay their community charge, a survey by the Forum of Private Business showed.

Eighty five per cent of those surveyed opposed being forced to collect contributions from defaulters. Under the community charge legislation, local authorities can require employers to deduct arrears from their employees' wage packets.

What really irks small business owners is the fact that they must calculate the deduction for each pay period. Stan Mendham, Forum chief executive, says: "The responsibility for getting the calculations right is another millstone round the neck of small business owners who are expected to carry out this work for free."

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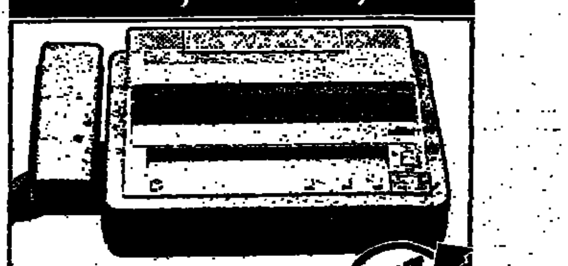

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———)OOO(———

CIMAO a sub-regional clinker producing company whose principal shareholders are the States of Côte d'Ivoire, Ghana and Togo and co-financed by the World Bank, Caisse Centrale de Coopération Economique, the European Investment Bank, etc. is being liquidated.

Consequently, the Liquidation Committee offers for sale the Clinker Processing Plant, related equipment, buildings, office furniture and equipment as listed under Machinery and Equipment and Buildings below. To this end the Committee invites tenders from prospective buyers. This invitation is open to interested buyers who intend purchasing the whole factory or part thereof.

LOCATION :

The Plant is located at Tabligbo, 80 km north-east of Lomé, Capital of the Republic of Togo, with which it is linked by good rail and road transport routes.

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TECHNICAL : - Raw Materials : Limestone deposits are about 2.5 km from the Plant with reserves of about 155 million tons. Shale and sand, are found in the same quarry. The Togo Government is prepared to grant mining concessions in return for a royalty.

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- PRODUCTION : The plant employs the dry process method and has a capacity of 1,2000,000 tons/year with the possibility of extending it to 2,400,000 tons.

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. Stock of back up spare parts ;
. Office furniture and equipment ;

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DECLARATION OF DIVIDENDS

Notice is hereby given that the directors of the abovementioned companies have declared dividends in respect of the six months ending 30th June, 1990, payable to shareholders registered in the books of the respective companies at the close of business on 29th June, 1990. The dividends have been declared in the currency of the Republic of South Africa.

Dividend warrants will be posted from the Kimberley and United Kingdom transfer offices on or about 6th August, 1990. Registered shareholders paid by the United Kingdom Registrars will receive their dividend in United Kingdom currency converted at the rate of exchange applicable on 2nd July, 1990, less appropriate taxes. Any such shareholders may, however, elect to be paid in South African currency, provided that any such request is received at the companies' transfer offices in Kimberley or the United Kingdom on or before 29th June, 1990.

The ordinary share transfer registers and registers of members will be closed from 30th June, 1990 to 13th July, 1990, both days inclusive.

The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which can be inspected at the head and London offices of the companies and also at the offices of the *companies' transfer secretaries in Kimberley and the United Kingdom.*

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25th May 1990

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FINANCIAL TIMES
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ARTS

Missa solemnis

FESTIVAL HALL

Every performance of the great Classical composers that Roger Norrington undertakes is an adventure: a fresh exploration for the conductor, with nothing taken for granted or swept under the carpet of "tradition," and thus no less of one for the listener.

Sunday's *Missa solemnis* was performed not by the period forces with which Norrington's Beethoven has become renowned, but with the Philharmonia Orchestra and Chorus – a modern-instrument orchestra and large-sized chorus, here schooled to achieve a convincing (if not, on this occasion, faultless) modern resumé of "authentic" habits.

Tempos were fast (in "Et vitam venturi" faster, in fact, than could be coped with by the chorus). Textures were clear, expertly balanced (Norrington's insistence on separating first and second violins – the correct but now too often ignored procedure – helped enormously in securing the necessary wind forwardness). To the martial intrusions of the "Agnus dei" the dry drum beats provided a properly unsettling undercurrent. From the chorus one sometimes wanted a cleaner attack – this was not exactly the Philharmonia Chorus of the great Wilhelm Pitz days – but altogether there was a brightness, even a brilliance, about the great prayerful surges that stamped the occasion with a special individuality.

Yet overall, and for all its distinct virtues, I did not find myself moved or elated by this *Missa solemnis*. As ever in a Norrington performance I sensed a curious unwillingness to let the lyrical music breathe, to know where the reins could profitably be loosened. The impression was given that the "Benedictus" was being taken in strict tempo: it was not treated as an ever-expanding, upward-floating meditation, and the five soloists – Bradley Creswick's violin as well as the four singers – did not inspire each other to radiance. The vocal quartet was not ideal in blend: two warm, full-grained low voices (Claire Powell, Gwynne Howell), two rather reedy, "characterful" high ones (Alisan Hargan, Philip Langridge).

*

In the Elizabeth Hall the previous evening, the London Sinfonietta under David Atherton was playing Schoenberg, Mahler arr. Schoenberg (*Songs of a Wayfaring Lad*, beautifully sung by Alfreda Hodgson), and a new or recent work by a young Danish composer.

This was the third of three concerts planned to the same formula, and it proved an appealing mixture. *Shadowland* (1990), a work commissioned by the Sinfonietta from Bent Sörensen (b.1958), was a delight: four movements of small-orchestral music made entirely, it seemed, of decorative material – trills, arabesques, fast figuration of all sorts, with only the occasional broader phrase allowed to emerge out of the gossamer flourishes, tangles, and webs of notes.

But there was nothing random about the patterning: the unfolding was guided by clear harmonic thought, and so the effect created by the dappled streams of shadow and light was one of ever-increasing enchantment. *Shadowland* deserves to be widely taken up: it demands high virtuosity, and rewards it richly.

Max Loppert

Romeo and Juliet

COVENT GARDEN

Who is Sylvie? What is she?

The debate is rekindled by every new role that La Guillem adds to her repertory. Is she the Barbie-doll as ballerina? Or is she an intelligent young woman with individuality and flair? I believe that she's both and that, like some modern Petrushka, this doll is struggling to show us that she is not a freak but a dancer, not only a stunt artist but an artist of feeling too.

Her debut as Juliet in Kenneth MacMillan's *Romeo and Juliet* was therefore an important event. There's no doubt that she understands a great deal about the role. Her timing has never been nearer to Royal Ballet detail, her footwork and épaulement were all the more striking than previously, and exaggeration played no part in her dancing. If we needed evidence that her work as permanent guest at Covent Garden was of profit to her, I would cite this performance. It is good to see her sheer decisiveness in everything. Nothing is approximate. The ballroom solo, the finest achievement of this debut performance and technically the most exacting, was crystalline; the balcony duet was brightly lyrical.

Sylvie Guillem as Juliet

There is, however, too much charm. She has a charming smile, and in Act 1 she over-employs it. In the Act 2 wedding scene – where Lynn Seymour used to rush in to her Romeo like a parched traveller to an oasis – how careful Guillem is in the shawl-like arrangement of her scarf over her hair. And in Act 3 she gives us a delicate tracing of Juliet's distress. She is shy of its violence, of the rawness of feeling that MacMillan wanted to depict.

Of Jonathan Cope, her Romeo, it must be said again how greatly his impending retirement is lamented.

It's not just that he has great physical talent and that no other local dancer on the horizon shows his prowess as a partner; it's that he keeps showing flashes of how much greater he could be. Stephen Jefferies, the Mercutio, is a true artist, a dance-actor who uses every scrap of his ability and makes every moment more real for himself, for his colleagues, for us.

Bernard Haitink conducted. He makes many details sound new, but what's finest is the naturalness of the sound he elicits. Such easy cleanness of attack, such lucid balance between strings, wind and brass. Prokofiev's textures have seldom sounded more just. And, if I'm not mistaken he is coaxing a new fullness of tone from the Covent Garden strings. They are beginning to sound, well, almost Russian.

Alastair Macaulay

Wild Justice

THEATRE ROYAL, STRATFORD EAST

A bank robbery goes badly wrong and a nine-year-old boy is shot, dying in his mother's arms. His father vows revenge. In the movies this would be a chance for Clint Eastwood, well equipped with smart dialogue, a knowledge of mean streets, and a Colt 45.

In Barrie Keefe's version at Stratford East, Karl Howman plays a primary school teacher, with Smart Aleck ways, and the delivery of a Dalek on Mogadon. Keefe gives himself a problem by making both his anti-hero and his wife (Anita Dobson) traumatised by the tragedy.

It means a script delivered in a facetious monotone. Perhaps it does not deserve much better. Certainly some idea as to whether this was going to be a family drama or a thriller would have helped things along.

It was well towards half-time before a plot raised its welcome head and any action was concentrated into a brief second act flurry, which cheered things up. Dobson's long anticipated switch from make believe into hysteria might have brought down the interval curtain but it failed to raise the emotional temperature.

The odd hare was sprung; fatal car crashes appeared with remarkable regularity to help out the plot. But really this is the tale of a man, credible in his ordinariness, who concocts his own revenger's tragedy.

Howman never quite dispels the idea that director Philip Hedley would have liked Bob Hoskins in person for the role but his persistence in perverseness develops its own momentum. Dobson is rarely allowed outside her trance but it must seem easy work after *EastEnders*.

Wild Justice only comes to life when Rachel Davies is allowed to be the tart. Her bored familiarity and weary cockney ring true. Louis Mellis as the detective also adds a glimpse of reality, a man prepared to do deals to get half a result.

For the rest Keefe never seems to believe in his own play. Throwing in a scene in which a drunk Howman wrecks his interview for a deputy headmastership is little more than self-indulgence. Clint Eastwood was never that side-tracked.

Antony Thorncroft

A putto gazes out from a silver kettle by Paul de Lamerie at Goldsmiths' Hall

The king of silversmiths

Susan Moore on the work of Paul de Lamerie

Paul de Lamerie was an extraordinary silversmith. Extraordinary in that he was the most prolific, and eclectic, of the masters working in London in the first half of the 18th century, and the only one among them to thrive in what was a precarious business.

While the likes of Paul Crespin and Ellis Gamble went bankrupt, de Lamerie, "the king's goldsmith" and entrepreneur par excellence, operated a workshop and a retail trade, owned some 45 houses, and lent money on mortgage. How he succeeded where others failed constitutes one of the most fascinating episodes in the history of the silver trade.

Commercial success secured de Lamerie's reputation, and he remains the most famous name in English silver. Consequently, a vast amount of plate bearing his mark escaped the fate of the melting pot.

Some 200 examples have been drawn from this substantial corpus, now dispersed around the world, for a sumptuous exhibition at the Goldsmiths' Hall – the first major retrospective accorded to a silversmith in this country.

The show also heralds the reopening of Philip Hardwick's grandiose Goldsmiths' Hall after 18 months of refurbishment. (The 1835 Hall is the third on the site since 1339.) Visitors will find as much gilt on the coffered ceilings and cornices as in the display cases below.

What may come as a surprise is that one of the Company's greatest sons, and a Second Warden to boot, spent a lifetime flouting its authority. From the start, Paul de Lamerie showed a robust disregard for the law.

Exhibition organiser Susan Hare suggests that it was by subverting a major commission from his master, Pierre Platel, a fellow Huguenot emigré, that de Lamerie gained the wherewithal to set up on his own.

Thereafter he was regularly in trouble for not having his silver hallmarked (and therefore taxed), and for passing off as his own the work of others who were not free of the Company. Twice he changed his maker's mark without informing the Assay Office.

Even supplying plate to the Chief Justice did not deter him from dodging duty. He sat on the livery company's Special Committee convened to prevent such frauds only to ensure that the Company's right of search was not restored. And we learn from the trial of one Robert Dingley, accused of avoiding payment of duty when exporting silver to Russia, that over half of his cargo of unhallmarked silver came from Paul de Lamerie. The Goldsmiths' Company had been tipped off about the shipment, but while its representatives were being agreeably detained in the Vine Tavern the boat slipped anchor.

Russian loans are among the highlights of the exhibition. One of de Lamerie's two 16-branch silver chandeliers, probably ordered for the Empress Anna, 40, has been temporarily repatriated; it normally hangs from the ceiling of the Treasury in the Kremlin.

A monumental wine cistern made for the 4th Earl of Scarsdale in 1726 is here courtesy of the Hermitage. The oval cistern is impressively self-confident for an early work, and certainly big enough to bathe in. Its vigour and sculptural quality foreshadow the master's mature work.

This is one of two vast wine cisterns, and two wine fountains, to dominate the first gallery. The other great bemasked cistern, this time in silver-gilt, is characterised not by bosomy winged female figures, but by lions on the reverse-scroll handles growling to one another. The inspiration would seem to be Chinese, long before the vogue for Chinoiserie.

De Lamerie's eclecticism is the delight of the show. Although the first to introduce French Rococo motifs into English silver, and arguably the foremost – if not the purest – practitioner of the style in London, de Lamerie develops his own peculiar brand of Rococo.

It has less to do with French *rocaille* than the full-blooded and fantastical designs of 16th and 17th century Mannerist and Baroque craftsmen. A number of pieces would not look out of place in the treasury of Rudolf II.

Lion pelts ooze over the rims of tureens, while crayfish, probably cast from life, scale the sides. Writhing snakes seem to weave in and out of silver-gilt cups and covers. Palms and prunus blossoms line the sides of a bowl, on its foot curl foliage and shells, and lions rests their heads between their paws.

Finials may be exuberantly flowering cauliflowers, or fluttering Prince of Wales feathers.

Asymetrical Rococo coffee pots are a particular delight. In one, overlapping fish scales spiral up an elongated pear-shaped body.

In another, cartouches bear gaping-mouthed masks, amid undulating panels. Technically, the *pièce de résistance* is the (unmarked) silver-gilt ewer and dish of 1740-41. The shaped oval dish is formed as a large voluted shell decorated with a seascape with *putti* and dolphins. Zeus's eagle discharges his thunderbolt from the marvellous rolling clouds above. The low relief may indeed relate to that found on porcelain, specifically on the famous Meissen Swan Service modelled by the great Kaendler. The accompanying helmet-shaped ewer is an unusually happy marriage of decoration and form.

No one knows who were de Lamerie's designers and modellers. Michael Snodin suggests an intriguing connection with the confections of the Swiss-Italian stuccadores working on the remodelling of Houghton Hall for de Lamerie's major patron, Robert Walpole. Interesting recent research on the organisation of the silver trade in 18th century London is published in the catalogue, plus the fruits of Susan Hare's enquiries into the business practice and character of the wayward master silversmith.

The exhibition, sponsored by Grand Metropolitan, continues at the Goldsmiths' Hall, Foster Lane, London EC2, until June 22.

The Stepmother

ARCHES THEATRE, GLASGOW

The much cherished Rustaveli Theatre from Tbilisi has a youthful satellite ensemble. The Young Company is not, as its name might suggest, a student affair; merely the heirs presumptive, stars in waiting, to what a colleague on this page called the most talented middle-aged company in the world.

Through the initiative of the enterprising Gog Theatre of Somerset, whose exchange projects range from Cameroon to Leningrad, the youngsters were playing underneath Glasgow's Arches last week as Mayfest reached its climax. They can be caught in Winchester and Bristol this week,at the Strode Theatre in Street next week.

They are worth catching. Their founder and director Gizo Zhordania has dramatised a tragi-comic novel of country life by David Kldiashvili and the result is a weird and wonderful blend of bucolic humour, sudden snatches of song, and family conflict that shades into grimness with stoic, unsensational peasant resignation.

The sets of painted double doors resemble toy-cupboards; and the village community that bursts out of them is portrayed with superb panache in a mixture of robust comedy and fairy-tale logic (like inviting an emaciated horse, played in rags by the splendidly named Gotcha Kapanadze, to sit down and eat).

The swashbuckling widower Bekina, already a grandfather, who feels the urge to remarry, is played with upraised eyebrow and upturned moustache by Irakli Macharashvili with the dapper quizzicality that recalls the RSC's Linus Roache, currently Stratford's Don Juan.

Throughout, the young players affect no ageing make-up; thus the stepmother carefully chosen by Bekina's son for her supposed barrenness (so keeping his patrimony intact) is, in Nana Shonia's playing, a pretty young woman who gives no sign of the unpredicted and unforgivable pregnancy that plunges the family into crisis. The action is punctuated by song, occasional knockabout, some address to the audience. Brecht without tears.

The company perform with infectious high spirits and good nature. Perhaps more important, they are excellent technicians. Pride of place must go to Merab Ninidze as the threatened stepson, not merely for his absolute conviction when centre stage but for the way, like all good actors, he watches, reacts, shows a mind ticking over, when our attention is directed elsewhere.

Mr Kapanadze reverts to human form as an enthusiastic family go-between and fixer, Zaza Papuashvili makes a mark as a jolly drunken cousin (the Russians seem to escape lager loutishness; vodka vitality is eminently more sociable), the whole ensemble plays together as a vigorous entity.

This may explain why the change of mood to dark cruelty with the stepmother's pregnancy and the startlingly downbeat ending, while leaving us shocked, still work with the fatalistic inevitability of a folk-tale.

The company's post-curtain singing – even a courteous foray into "Edelweiss" from *The Sound of Music* – left an engaging impression. The heirs apparent should not be allowed to await the succession for too long.

Martin Hoyle

Signature

THEATRE ROYAL, BRIGHTON

Put a human being onstage; already you have a mixture of form and meaning. Put a man and a woman onstage; even if they ignore each other, you have a relationship. Make them move and set it to music; you have both choreography and music-drama.

Signature, a new dance work made by Siobhan Davies for the Rambert Dance Company and given its première on Thursday night, tells no story, and its commissioned score, *Chevron* by Kevin Volans, is full of repeated fragments. Though not one of her most loveable pieces, it's rich with fine dancing and suggestive imagery, and may well prove to be her most multi-layered construction of form and meaning to date.

The two dominant choreographic motifs could hardly be simpler. In one, a man or woman links a hand, wrist or elbow with a member of the opposite sex, and so begins male-female communication. (Only connect.) In the other, a single dancer clasps his or her two hands together, forming a loop of private space. (Keep out.) From these, Davies builds complex variations and patterns.

Often, during a duet, you note the presence of another dancer, lone and motionless – slumped on the floor or standing, numbed. This makes the duets and trios all the more expressive. There are also large ensembles: most importantly, several quartets, contrasting one male-female couple with another. Some intense solos suggest disturbance and self-absorption. Co-operation in *Signature* is not a cure – the partnering is often tense, challenging - but it is a key.

Davies has used two earlier scores by Volans, music full of African material, when choreographing *White Man Sleeps* and *Cover Him with Grass* (1988 and '89) for her own company. This new *Chevron* score is altogether less allusive, and does not give Davies any easy rhythmic propulsion. Scored for a Stravinsky-sounding ensemble of woodwind, piano, brass and strings, it soon introduces a striking series of tense, repeated two-note woodwind appoggiaturas, and sustains its tension thereafter.

My immediate reaction was a desire to see the piece immediately again – but without the excessively forceful colour-scheme of Kate Whiteford's designs. Everything, decor and costumes, is bright green or bright red. Peter Mumford's lighting does wonders in dramatising this, picking out different paths and angles. A gauze descends for the work's last section, and the pattern on it, which Mumford projects onto the backdrop, proves to be the pattern of two dancers' arms as the work ends: an upward arc balanced on a downward arc. Pattern, balance and support; man and woman; one up, one down. The image brings the suggestions of *Signature* to a perfect close.

Alastair Macaulay

kd Lang & the Reclines

TOWN & COUNTRY CLUB

Nashville has had a tough time learning to love kd Lang, the Canadian girl who recently took the Grammy award for best female country singer. It likes its honky tonk angels with golden hair that reaches up to the sky; bodies that men can lose themselves in; and lives as tangled as Spaghetti Junction.

With kd it has an androgynous, easy going extrovert who cleverly disguises her sexual orientation behind a world embracing smile and a wild crew cut. She leaps on to the stage at the Town & Country looking more like Lyle Lovett on one of his up days, clothed in a sparkling silver jacket which would make a torreador weep with envy.

But it is not her winking, "you can make up your own minds" personality which has won over the country music moghuls but her voice – as strong as a cowboy's handshake; as sensual as his fading leathers; but with a sob in it to break his alcoholic heart.

kd does not waste her voice on too much sentimental slush. She has uncovered a vein of music as forgotten as Connie Francis, a singer she uncannily recalls. It is the melodic ballad with just enough bite to see it home, songs like *Our day will come*. kd calls her style "Torch and Twang," and although she can't quite keep the nudge out of her delivery when singing a story of betrayal like *One last cigarette* the impact is stunning.

kd Lang both loves and subverts country music, responding to its sentimental naiveity while sending up its delusions. Her own weak spot is Patsy Cline. She calls her band the Reclines and encores with Cline material. But it is a relief to see some genuine feeling: there is a danger that she is hiding too much of herself behind her voice and her teasing personality.

Still it is good to see a country singer who is not going to crack up on stage. kd Lang puts on a marvellous show. Her seven strong band looks as if it has totally surrendered to her will and its attempts at spontaneous larkiness seem forced, but it plays beautifully, following her from a Kentucky hill billy hoe down to Louisiana cajun and back to the safe weepiness of the bar room ballad. She is probably at her best now, before success takes her too seriously. Now she can still lie on stage and wiggle her legs in the air; lift her eyes to heaven after a Roy Orbison tribute with genuine thanks; and flirt dispassionately with both the boys and the girls. Book now for the next visit.

Antony Thorncroft

ARTS GUIDE

May 25-31

MUSIC

London

Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy. Weber, Mozart, Tchaikovsky (Tue). Royal Festival Hall (928 8800).
Polish Chamber Orchestra conducted by Jan Stanienda. Holst, Elgar, Vivaldi, Bach, Bartók (Wed). Queen Elizabeth Hall (928 8800).

Paris

Orchestre des Jeunes de Toute L'Europe and Trio Wanderer conducted by Sir Yehudi Menuhin and Jiri Mikula: Smetana, Martinu, Beethoven (Tue). Théâtre des Champs Elysées (47203637).
Orchestre Philharmonique conducted by Bernhard Klee, Christian Zacharias (piano): Mozart (Thur) Théâtre des Champs Elysées (47203637).

Brussels

Nikita Magaloff (piano) playing Mendelssohn, Scriabin and Schubert (Thur). Palais des Beaux-Arts.

Rome

Gabriele Ferro conducts Petrassi's Psalm nine, and Stravinsky's Firebird Suite (Tues). Auditorium in via Della Conciliazione (6541044).

Milan

Maria Joao Pires and Huseyn Sermet play Schubert, Schumann and Ravel (Wed) (76001755). Conservatorio G. Verdi.

Madrid

Mexican soloists conducted by Eduardo Mata. Lourdes Ambriz (soprano), Miguel Lawrence de Hoyos (piccolo). J.S. Bach, Orbon, Sarrier/Mata,Vivaldi (Tues). Auditorio Nacional de Musica (337 01 00).
Belgian Chamber Orchestra with Rudolph Werthen, conductor and first violin. France Springuel (cello). Boccherini, Haydn, Vivaldi (Wed). Auditorio Nacional de Musica (337 01 00).
Oslo Philharmonic Orchestra conducted by Mariss Jansons. Stravinsky, Shostakovich (Thur). Auditorio Nacional de Musica (337 01 00).

Barcelona

Max van Egmond (baritone), Jacques Ogg (pianoforte, clavichord). Frescobaldi, Caccini, Huygens, Purcell, Handel, Haydn, Schubert (Wed). Fundacion Caja de Pensiones (317 57 57).

New York

New York Philharmonic conducted by Erich Leinsdorf. Strauss, Schumann, Bizet (Tue); Mahler (Thur). Avery Fisher Hall, Lincoln Center (874 6770).
Manhattan Philharmonic conducted by Doreen Rao with the International Children's Choirs. Oscar Peterson, Fauré, Debussy, Pergolesi, Copland, Vaughan Williams (Tue). Carnegie Hall (247 7800).

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich. Glinka, Deak, Makris, Doppler, Gould (Thur). Kennedy Center Concert Hall (467 4600).

Chicago

Chicago Symphony Orchestra conducted by Michael Morgan with Joshua Bell (violin), Steven Isserlis (cello), Jeffrey Kahane (piano). Haydn, Beethoven, Crumb, Falla (Tue). Klaus Tennstedt conducting with Ray Still (oboe). Mozart, Strauss (Thur). Orchestra Hall (435 6666).

Tokyo

Paco de Lucia Trio. Orchard Hall (Tues) (235 1661).
Maxim Vengerov (violin), with Irina Vinogradava (piano). Bach, Beethoven, Paganini, Schubert. Suntory Hall (Tues) (235 1661).
Cleveland Symphony Orchestra, conducted by Christoph von Dohnanyi. Mahler's 9th Symphony (Wed). Mendelssohn, Berlioz (Thur). Orchard Hall (299 9999).

OPERA AND BALLET

London

Royal Opera, Covent Garden. Simon Rattle makes a belated debut conducting the new production by Bill Bryden of Janáček's *Cunning Little Vixen*. Thomas Allen, Lillian Watson, Diana Montague, Robert Tear, and Gwynne Howell head the large cast. Final performances of the unhappy *Trovatore* revival, with Carol Vaness, Eva Randova, Alexey Steblyanko, and Sergey Leiferkus in leading roles; Sian Edwards conducts.
English National Opera, Coliseum. End of the ENO season: one performance each of Robin Holloway's *Clarissa* and *The Marriage of Figaro*.
The premiere of Holloway's *Clarissa* (based on Richardson's novel) reveals a score of ravishing and fascinating richness at the service of an unevenly plotted libretto. *The Marriage of Figaro*, in Jonathan Miller's production, brings back Valerie Masterson, Lesley Garrett, and Ethna Robinson as ENO Mozartians, and introduces Steven Page's Count and Gregory Yurisich's Figaro (836 3161).

Paris

Paris Opéra. *Jeunes danseurs de l'Opéra*. Extracts from romantic period ballets (47425371).
Théâtre de la Ville. Pina Bausch and Wuppertal's Tanztheater. *Nelken* (carnations) begins with a magnificent field of 9,000 carnations which are, at the end of the evening, trodden down. (42742277).

Antwerp

Koninklijke Vlaamse Opera. The Royal Flanders opera in Bartok's *Duke Bluebeard's Castle* (concert version), conducted by Rudolf Werthen with Klara Takacs, Kolos Kovats and Nolle Versijp (Tues).

Berlin

Opera. *Die Zauberflöte* is a capable repertoire performance, conducted by Christof Prick. *Die Walküre*, part of the successful Götz Friedrich Ring cycle with Wagner specialists Karan Armstrong, Deborah Polaski, Hanna Schwarz, Matti Salminen and Robert Hale.

Frankfurt

Alte Oper. Schoenberg's rarely played *Moses und Aron*, in a concert version, is sung by Gerhard Faulstich and William Cochran.

Cologne

Opera. *The Turn of the Screw* will be sung in English. This week's highlight *Tristan and Isolde* stars Gabriele Schnaut, and Spas Wenkoff, conducted by Ralf Weikert. *La traviata* and the two one act operas by Rossini *La Cambiale di Matrimonio*/*Signor Bruschino* complete the week.

Bonn

Opera. The lively *Barbier von Sevilla* production is well sung/ by Frank Lopardo, Susanne Mentzer, Gino Quilico and Jean Philippe Courtis. *Das Rheingold* is expertly conducted by Bonn's musical director Dennis Russell Davies with Siegmund Nimsgern, Graham Clark, Hermann Becht and Hanna Schwarz.

Stuttgart

Opera. Henze's *Die Bassariden* features Karan Armstrong, Marcela Holzapfel, Ortrun Wenkel and Kenneth Riegel, brilliant in the leading parts. *Der Freischütz* in Achim Freyer's production returns. Also in repertory: *La Cenerentola*, *der Karottenkonig* and a Tomoko Nakamura Lieder recital.

Barcelona

Gran Teatre del Liceu. Uwe Mund conducts Verdi's *Simon-Boccanegra*, featuring Piero Cappuccilli, Anna Tomowa-Sintow and Jaime Aragall. Ends June 12 (318 92 77).

Milan

Teatro alla Scala. Keita Asari's production of *Madama Butterfly*, designed by Ichiro Takada with dances performed by Hideju Kanzaki, conducted by Gianandrea Gavazzeni (80.91.26).

Rome

Teatro dell'Opera. Verdi's *Luisa Miller* conducted by Roberto Abbado, with Paolo Coni, Aprile Millo and Alberto Cupido. Also the Kirov Ballet in Oleg Vinogradov's version of *Swan Lake* (46.17.55).

Florence

Maggio Musicale. Teatro della Pergola. Giulio Chazalettes's production of Donizetti's *Parisina*, based on Byron's poem of the same name. Bruno Bartoletti conducts an excellent cast led by Mariella Devia, Giorgio Zancanaro and Dano Raffanti. The opera is given in its full length version (2779236).

New York

American Ballet Theatre. The 50th anniversary season includes an all Twyla Tharp evening and the local premiere of her *Brief Fling* set to music by Michel Colombier and Percy Grainger. Season ends June 30. Opera House at Lincoln Center (362 6000).

Washington

Alvin Ailey American Dance Theatre. The mixed repertory, based heavily on gospel and choreography reminiscent of the golden age of American musicals, remains fresh with a new generation of dancers. Ends June 4. Kennedy Center Opera House.

FINANCIAL TIMES

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Tuesday May 29 1990

The greening of Britain

MRS MARGARET Thatcher has taken a step forward in leading Britain to an understanding of global warming. She has, however, failed to make the difficult choices that her logic dictates. The step forward came last week, in the Prime Minister's acceptance of the report of the science working group of the Intergovernmental Panel on Climate Change. This was prepared by some 300 scientists drawn from all parts of the globe, under the chairmanship of Mr John Houghton, director of Britain's meteorological office. It concludes, with greater confidence than previous analyses of climate change, that, unless preventive action is taken, mean temperatures will rise by about one degree centigrade during the next 35 years and by three degrees before the end of the next century. IPCC reports also indicate that the result is likely to be higher sea levels, flooding in certain areas, disruption to agriculture, and a growth in the proportion of the globe that is covered by deserts.

Public endorsement

Last week Mrs Thatcher publicly endorsed these conclusions. "Governments and international organisations in every part of the world are going to have to sit up and take notice and respond," she said. The government that has recently shown the most marked reluctance to do so is that of the US. President Bush has been balking at the perceived cost of domestic counter-measures, not to mention calls on the aid budget. The US has resisted proposals that the industrialised world should contribute to a fund to compensate Third World countries for the additional costs of reducing the emission of greenhouse gases. Thus the first test of how much the US is sitting up and taking notice will be played out in London next month, when most countries will attend a conference on the phasing-out of chlorofluorocarbons, or CFCs. These damage the ozone layer and contribute to global warming. If an international agreement on CFCs can be negotiated, and the signature of the US appended, then there may be hope for an agreement on the more difficult question of reducing emissions of carbon dioxide. This will be debated in Geneva at the end of the year.

Geneva anticipated

It is here that Mrs Thatcher's actions are out of tune with her words. Anticipating Geneva, she has set a British target of stabilising carbon dioxide emissions at 1990 levels by the year 2005. This sounds impressive against a suspect British prediction of a 30 per cent increase in emissions by then, but less so against the electricity industry's plans to turn away from coal and towards oil and natural gas. Since carbon dioxide lingers for two centuries, only a sharp reduction, of the order of the 60 per cent indicated in the IPCC report, will suffice. Most western European countries are already either committed to or contemplating more severe targets than the one set by the Prime Minister. The British contribution towards a global agreement would thus be best expressed via a European Community initiative, based on the more ambitious commitments likely to be set by the EC.

Britain would also exert greater influence if, following the Dutch, the Danes, the West Germans and others, it took unilateral action in advance of international agreements. It is true that a reduction in British emissions alone would not make much difference to global totals, but, as the Dutch have perceived, that is a poor excuse for inaction. The Government's forthcoming White Paper on the environment will carry little weight unless it commits the country to a mix of public transport, conservation promotion, discriminatory pricing, carbon taxation and general regulations the overall purpose of which would be targeted reductions in carbon dioxide emissions by power stations and motor cars. The economic effect need not be wholly negative. There are many industrial opportunities in the markets for cleaner cars, environmentally-friendly products, and fuel-conserving appliances. The IPCC reports, and Mrs Thatcher's words, will increase those opportunities. On both prudential and opportunistic grounds, it is time to face the economic consequences of greenery.

Europe's chip dilemma

EUROPE'S EFFORTS to develop a world-class semiconductor industry are starting to resemble a man struggling up a down escalator. In the past decade, the industry has sought strength in mergers, management re-shuffles, subsidies, joint research programmes and trade protection. Yet it has managed to do little more than maintain its relative international position.

The 1990s may determine whether Europe can stay in the race at all. The challenge is no longer just technological, but economic and financial. To keep their design and production skills competitive, European suppliers need to mass-produce "commodity" components such as D-rams. But the cost of a D-ram plant is more than $1bn – and is expected to double by the mid-1990s. Even in a good year, no European company earns enough from chipmaking to fund such investments on its own.

Hence hopes are turning to further industry consolidation, to spread costs and improve scale economies. West Germany's Siemens and the Italian-French SGS-Thomson group, are discussing closer collaboration which could lead to a pooling of their semiconductor businesses. If they can reach agreement, they may be joined eventually by Philips, the troubled Dutch electronics group which is Europe's only other large chipmaker.

Short-term palliative

However, horizontal mergers seem unlikely to offer more than a short-term palliative. Apart from the difficulty of integrating different companies and management styles, brutal competition is increasingly turning semiconductor production worldwide into a low-margin – or even profitless – business. Some industry experts forecast that independent chipmakers will survive only if they can diversify into other, more profitable activities.

The Japanese industry leaders, and some US suppliers such as Motorola, are strongly placed because they are already vertically-integrated groups, which use much of their semiconductor output in-house. But in Europe, only Siemens has a broad portfolio of equipment manufacturing businesses which seem solid and profitable enough to support a full-blooded commitment to chipmaking. Philips' longer-term prospects in consumer electronics remain uncertain, and the company's efforts to expand in computers have so far brought it only heavy losses.

Unless European companies become more successful at making money from products which use chips, the European Community and national governments may need to re-think their policies towards the sector. They are supporting chipmaking heavily, on the grounds that it is a "strategic" industry in which Europe must maintain indigenous capacity if it is to compete in a wide range of electronics markets.

Disputed reasoning

However, this reasoning is strongly disputed by companies such as computer manufacturers ICL and Olivetti, which insist they can meet all their needs satisfactorily on world markets. They, along with other users, complain that they have been penalised by EC anti-dumping actions and international price arrangements intended to shield Europe's semiconductor producers from Japanese competition.

The argument that a European-owned industry is needed to ensure security of supply is also starting to look dubious. Partly as a result of a recent change in EC rules of origin, leading US and Japanese manufacturers are planning large semiconductor factories inside the Community. They will not be "screwdriver" operations but will be equipped to perform the complete chip production cycle and, in some cases, component design.

That should prompt the EC to ask itself how Europe's economic interests are best served. By foreign-owned companies, which are investing heavily to supply technologically-advanced components to local customers? Or by a dwindling band of European "champion" chipmakers, few of which show signs of being able to stay the course without continued injections of public support?

Marriages of convenience

Charles Leadbeater examines the growing chain of alliances that binds diverse international companies

A tightly-knit brotherhood will soon straddle the globe as the activities of the world's leading industrial corporations become closely interwoven through a complex web of alliances.

In the past few weeks alone British Aerospace announced plans for wide-ranging collaboration with General Dynamics of the United States; Philips, the Dutch electronics group, joined forces with Thomson of France to develop European high definition television; and Siemens of West Germany confirmed it was in talks with SGS-Thomson, the Italian-French group, to develop semiconductors.

These are just the latest in a chain of corporate relationships forged in the past year. Will they be temporary affairs or lasting attachments? For all their glamour are these alliances simply a way for large companies to carve up markets between them?

Mr Umberto Busolati Dell'Orto, vice president of corporate development at Olivetti, the Italian computer manufacturer, sums up the world that large companies are entering: "In the 1990s, competition will no longer be between individual companies but between new, complex corporate groupings. A company's competitive position no longer depends only on its internal capabilities; it also depends on the type of relationships it has been able to establish with other firms and the scope of these relationships."

What is striking about this vision is that the chiefs of companies in very different sectors are seeing the world in the same terms.

Mr Barry Myers, managing director of building and civil engineering at Trafalgar House, which has joint ventures with Balfour Beatty and Taylor Woodrow, says: "Big jobs in our industry pose a lot of technical problems and involve very high risk. Partnerships allow you to draw on a bigger resource and more support to cover the risk."

They can also open a company's eyes to new influences, according to Professor Roland Smith, chairman of British Aerospace. He believes BAe's partnerships – with Honda, the Japanese motor manufacturer, and an emerging relationship with Daimler Benz via the European Airbus aircraft programme – add more to the business than just diversification.

"The various elements of the business rub off on one another and people from different businesses provide different perspectives on the same problem," he says.

Mr Bob Dale, chief executive of Lucas, the British car components manufacturer which has joint ventures with Sumitomo and Yuasa, the Japanese companies, says: "Joint ventures are going to become much more important to reap economies of scale, to allow us to sell into much bigger markets and to provide the flexibility to keep up with the accelerating pace of technological development."

Technological imperatives have been a key factor at Olivetti, for example, where the managing director, Mr Vittorio Cassoni, believes alliances will be essential to ensure the company has privileged access to Japanese laser printer and facsimile technology and to US semiconductors and software.

While these relationships take distinct forms, they are often a quick, low-cost way of sharing the high fixed costs of international expansion, and of winning access to a market through an ally's network of distributors or to a partner's technology, which would take years to develop independently. But the classic mix of markets and technology is only one form of link.

Some, such as agreements between several pharmaceutical companies, focus on research and development, while others, such as VW and Ford's co-operation to develop a van to compete with the Renault Espace, are centred on a particular product.

By no means all are conceived – as is the Volvo-Renault alliance – as the precursor for a full merger. The GEC-Siemens alliance, for instance, has turned into a tool to carve Plessey into bits that will be largely owned and managed separately.

Grand alliances, such as that under discussion between Daimler Benz, the West German industrial conglomerate, and Mitsubishi, the Japanese group, are ambitious in scope and scale. But they are not the sole option. Peugeot, the French car group, for example, only seeks partnerships for particular products or components.

This variety of alliances reflects a multiplicity of motives. As they have become more commonplace alliances have been accompanied by a familiar litany from senior executives that the rising costs of research and development and the quickening pace of technology mean it is increasingly difficult even for large companies to succeed on their own.

Alliances often mask a weaker partner's dependence without the controversy of a full takeover

Big groups are facing increasingly competitive markets that span the Far East, Europe and North America. Executives say only alliances will provide the mix of scale and flexibility to prosper in this climate and to generate sufficient revenues for future product development.

Yet it is not that simple. Some alliances are largely defensive manoeuvres, for instance in the defence sector, where companies are linking up to protect themselves against a decline in military spending. In other areas such as telecommunications and airlines, where national regulations limit foreign ownership, joint ventures are the main alternative route for international expansion. They are forced on companies by the politics of regulation as much as by commercial forces.

Alliances are often a way of masking a weaker partner's technological and commercial dependence without the controversy and expense of a full takeover. They can be a way of controlling a company without owning it.

In the semiconductor industry, for instance, the growing body of alliances suggests there are fundamental forces at work, changing the balance of international corporate power.

The first semiconductor production complex was developed in Silicon Valley, California, in the late 1950s. In the face of growing Japanese competition and backed by US import regulations, labour-intensive, low value-added production was dispersed, particularly to east Asia to take advantage of cheap labour. The dominant producers in the US gradually exported their less sophisticated manufacturing to countries and companies with lower labour costs, which were almost completely dependent on the US parents.

But in the late 1970s and 1980s the contours of the industry began to shift. Some east Asian producers developed their indigenous industries and began making products with higher added value. The Japanese industry grew stronger; the costs of entering semiconductor production spiralled.

So the experience of the 1950s, when the US held a commanding influence over the industry, is unlikely to be repeated. It may soon be improbable that any country will again be capable of developing an autonomous semiconductor industry.

This growing trend towards international interdependence is apparent in an increasingly dense web of alliances across all sectors of industry. This year alone IBM and Siemens have joined forces and four US companies have entered alliances with Japanese counterparts.

In highly regulated industries alliances may be an intermediate phase as companies take the first steps outside their national bases. In the telecommunications industry, the pace of technological development favours loose relationships. Mr F. Duane Ackermann, vice president of BellSouth, the US regional telephone operator, says: "With technology moving so fast you do not want to get locked into a fixed position through an acquisition or single partnership. You need to be able to draw on a range of expertise which is often beyond a single company."

The unwieldy character of some forms of collaboration has prompted questions about their efficiency

However, the regulation of the telecommunications industry means the opportunities for full takeovers or investments in public networks are limited. Joint ventures are a common way of getting around the regulatory barriers to foreign ownership.

Mr Ackermann believes that the pattern of ownership and investment will change as the politics of regulation change. As regulatory barriers come down there will be more scope for direct investment and thus more need for direct management control rather than joint ventures, he says.

In the European aerospace industry, the choice is whether to allow consolidation to take over from collaboration. Senior executives recognise that the industry may soon have to become more closely integrated.

Mr Johann Schaffler, deputy chairman of Deutsche Aerospace, says: "Maintaining national competence in all key technologies will hardly pay in the future. European companies will be forced to specialise." In which case, companies will have to develop more lasting relationships so that partners will be guaranteed access to one another's technologies.

Mr Schaffler's sentiments are shared by many of his counterparts. Yet while access to technology is one benefit of collaboration, another effect is the solidifying of relationships between companies, thus preventing the sort of restructuring which will allow stronger partners to succeed through open competition.

There are also other, more intangible, factors at work. Mr Dick Evans, British Aerospace's chief executive, concedes that national pride will complicate any move which could leave Europe with just two or three big defence groups.

Mr Fausto Cereti, vice chairman of Aeritalia, foresees cross-border mergers among second division equipment suppliers. But fighters, made by the leading companies, will for some time continue to be made by consortia of national companies, he believes.

The unwieldy character of some forms of collaboration has prompted questions about their efficiency. Networks may lock international industry into a structure which is cumbersome and inefficient. They become a shield behind which companies can shelter from competition.

Collaboration, for instance in the European airline industry before deregulation, can lead to collusion and cartelisation as easily as it leads to competition.

The European aerospace industry also raises pointed questions about the macro-economic efficiency of alliances. Take the European Fighter Aircraft programme. It would cost the four nations involved in the project – Britain, West Germany, Italy and Spain – about £4bn each to develop a fighter aircraft separately. The cost of developing it jointly will be perhaps £5bn-£6bn. For the individual nation it makes sense, as each will get an aircraft for a little over a quarter of the cost of developing the aircraft independently.

But for the taxpayers of the four nations as a whole it would be more rational to purchase the aircraft from one supplier within Europe at a cost of £4bn. This would eliminate the extra costs of collaboration.

Collaboration and work-sharing is a way of keeping more European aerospace companies in business than there would be otherwise. Airbus is particularly hampered by its work-sharing arrangements, which parcel up work to the main companies and limit the extent of competitive sub-contracting.

If Mr Dell'Orto is right the world will soon be dominated by a few extended industrial families which can call on relatives around the globe. Such alliances mark an ambiguous phase in this process of internationalisation, with uncertain economic benefits. In part they are a signal that the industrial division of labour is being refined, with companies developing specialities which they trade with others. Even large companies cannot help but be dependent on foreign counterparts for some aspect of a product's development, manufacture or marketing.

But alliances are often a way of maintaining a national industry rather than opening it to full international competition. Defensive link-ups are often attempts to pre-empt the kind of competitive pressure which might threaten a company's long-term prospects. They are driven as much by political and regulatory factors as by commercial disciplines.

They are often an uncomfortable half-way house between international competition and national self interest.

OBSERVER

Wrong turn at the FO

■ It is sad that the British Foreign Office should be reacting to the need to create more posts in eastern Europe by cutting down on staff in farther away places, such as Africa and Latin America.

One does not have to be a romantic to believe that the purpose of a foreign service is to "know about abroad": the more obscure the place, the greater the need to have somebody who knows something. No matter that nothing much may be happening now: the point is that events in obscure countries are unpredictable. It is useful to have someone who can try to explain the significance of a coup or an oil strike in an obscure Third World state, if and when it happens.

If the recommendations of some earlier reports on the diplomatic service had been followed, Britain might have had almost no representation in the Gulf States when the oil price was beginning to rise and security in the Gulf was becoming a key question. Indeed a decision to cut back on Third World posts meant that Britain was under-represented in Central America when events in the area were of far more than local importance, and actually came to affect US-Soviet relations.

No-one is saying the British posts need to be very large: two officers, a secretary and perhaps an expert in communications may be enough. Nor is there any need for a traditional ambassador entering his 50s. Some of the Third World posts are hot, difficult and uncomfortable. They could be staffed by young people, who could then move on to other posts or perhaps leave the service altogether.

Out of a such a system you could get a store of knowledge and experience that could, at some stage, prove invaluable. And if we have to cut back at all to make way for eastern Europe, perhaps there is a case for making reductions in such stable countries as France or Sweden, where we surely do not need a diplomatic service to tell us what is happening, or how to trade.

Once a Catholic

■ The first volume of Roy Hattersley's immensely long autobiographical novel, The Maker's Mark, will be reviewed in its proper place. It slightly misappropriates one good joke. "What did General Napier say to his wife when he captured Sind?" "Peccavi." That was the telegram to London.

Made in Canada

■ Mikhail Gorbachev may feel a touch of nostalgia when he arrives in Ottawa today on his way to Washington. His last trip to Canada in 1983 was a more leisurely affair than the pomp and protests he will encounter this time.

Canada was the only western country Gorbachev had visited before rising to anything like his present eminence, and the Canadians like to think that his visit to Ontario and Alberta seven years ago helped shape glasnost and perestroika.

Gorbachev was in charge of Soviet agriculture at the time, so much of the trip was spent touring farms, food-processing plants and supermarkets with at least one night spent in a Holiday Inn. Coming several years before his anti-vodka campaign at home, the itinerary also included a visit to one of Canada's biggest distilleries.

Gorbachev's Canadian host, a down-to-earth former agriculture minister named Eugene Whelan, later recalled that the Soviet Ambassador in Ottawa advised him at the time to pull no punches in extolling the virtues of North American agriculture to his Soviet guest. Whelan remembers being egged on by the Ambassador pounding his fist in the air behind Gorbachev.

"Under Stalin, I used to get a whole loaf."

The diplomat was Aleksander Yakovlev who, after 10 years in Ottawa, went home to become (and still is) one of Gorbachev's closest and most reform-minded advisers. Not surprisingly, Canadians also claim some of the credit for Yakovlev's conversion from Marxist economics.

Berlin rules

■ One of the many anomalies about the present halfway stage of German unity is the discrimination against foreigners at the Brandenburg Gate and other crossing points in Berlin.

One might say it is an anomaly that the border itself is still there at all, more than six months after the opening of the Wall. But to Germans from both sides it is now only a minor inconvenience. Flash any German identity card, West or East, and you are nodded through at any of 20 or more new crossing points. Non-Germans, however, are still sent back to the old ones at Checkpoint Charlie and the Friedrichstrasse S-Bahn station.

If you ask why, the East German border guard tells you with a shrug: "The Allies." But try complaining to the British Mission (formerly, and still legally, the British Military Government) in West Berlin and you meet a look of injured innocence. "Absolute nonsense. As far as we're concerned Berlin is one city and we've never stopped anyone from moving between the zones." So what are the East Germans up to?

Further investigation reveals that they did inform the Allies of the opening of the new crossing-points. But the Allies returned the letter unopened, on the grounds that they never recognised East German sovereignty in Berlin in the first place. In their view East Berlin is a Soviet responsibility, not part of the GDR.

Swindon up

■ No quarrel with Swindon Town being promoted to the First Division on what must be the last day of the English football season, though I would have preferred Sunderland for boyhood reasons. Remember, however, the curious powers of the football authorities. Swindon could yet be demoted again for white collar offences committed by the *former* management; Leeds United went up to the First Division with almost nothing being done about the behaviour of their supporters.

All clear?

■ Helpful information displayed at Victoria Station:

"CATERHAM: served by trains to Kenley arriving 8 minutes later.

"KENLEY: served by trains to Caterham arriving 6 minutes earlier."

Peter Norman on a new European bank to help the eastern bloc

BERD gets ready to fly

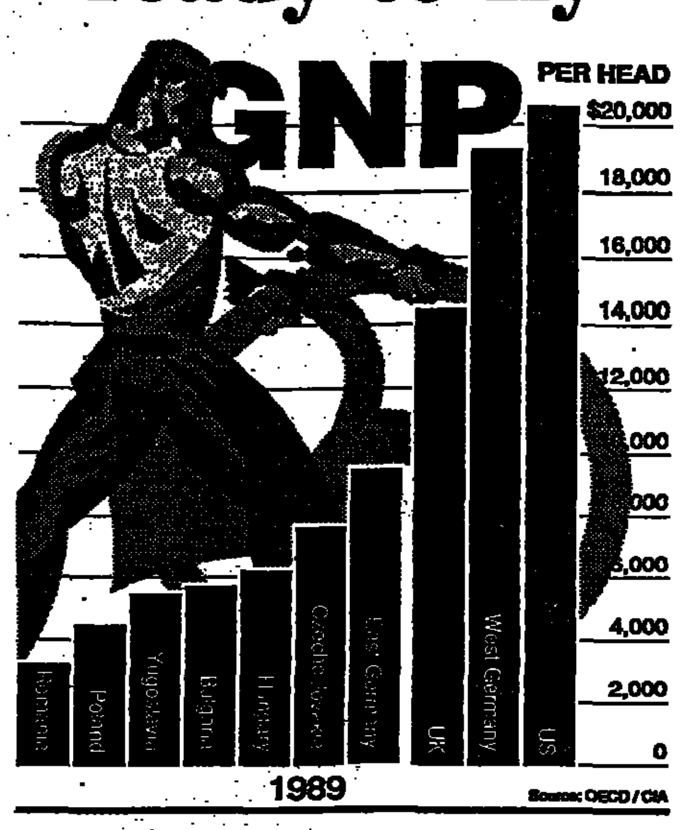
The French call it the BERD. It looked at one time like an ugly duckling. It may yet turn out to be a swan.

The BERD in question is the European Bank for Reconstruction and Development (EBRD), a new multinational institution to help the countries of eastern Europe develop market-based economies. Ministers from 40 countries will join representatives of the European Community in Paris today to sign the charter setting up the bank.

The EBRD has experienced a rapid birth. The idea was first floated by France towards the end of last year. Officials reached final agreement on details 10 days ago with a decision to put the headquarters of the bank in London and appoint Mr Jacques Attali, the close economic adviser of French President François Mitterrand, its first president.

At first sight, the EBRD is an impressive testament to the will of the international community to help eastern Europe out of its dire economic plight.

EC states and institutions will have a 53.7 per cent stake. Most other western European countries will be shareholders. The US will have the biggest single stake with 10 per cent. Japan's 8.5 per cent shareholding will match the holdings of Britain, West Germany, France and Italy. Countries as far flung as Canada, Australia, New Zealand, Mexico, Egypt, Morocco and Israel will also contribute to the bank's resources.



All eastern European countries except Albania will be members and qualify as recipient countries. However, at US insistence, the scope of the USSR to draw funds from the bank will be strictly limited for at least three years to an amount equivalent to its 6 per cent shareholding.

A main purpose of the bank is to "promote private and entrepreneurial initiative in the central and eastern European countries committed to and applying the principles of multi-party democracy, pluralism and market economics." The Soviet Union does not yet fit this bill.

But the EBRD has also spawned much controversy. The decisions on the bank's site and presidency deeply offended the Netherlands and some of the smaller EC states because they were settled earlier this month among the Group of Seven leading industrial countries.

Before that, questions had been raised as to its potential usefulness. Its capital of 10bn European currency units (about $12bn or £7.2bn), is small compared with the large and growing financing requirement of eastern Europe. Subscriptions to the bank's capital will be spread over five years. The EBRD will not be up and running before next year.

In the meantime, all manner of multilateral organisations have descended on the remains of the Soviet empire, scattering largesse and advice in an often unco-ordinated manner.

The G24 nations, comprising the leading industrial countries, have pledged about $11bn in new credits, grants, food aid and loan and investment guarantees since September last year, mainly to Poland and Hungary. The IMF is helping Yugoslavia and should shortly do the same for Hungary.

The World Bank intends to lend between $5bn and $7bn to eastern Europe over the next three years when it will be the biggest lender to the region. The International Finance Corp, a World bank affiliate, is already promoting private sector investment along the lines planned for the EBRD.

Mrs Margaret Thatcher, the Prime Minister, was notably sceptical about the merits of a new bank and international bureaucracy, when the project was first proposed. The British Government only swung round to giving it enthusiastic support when it realised that an EBRD, headquartered in London, would strengthen the City as a financial centre.

Since then, however, the various merits of the bank have become more apparent.

- It is now clear that the economic rehabilitation of eastern Europe will be a long and difficult process. It therefore makes sense to have a regional institution that can attract strong support from nearby countries and generate special expertise about the region.
- The EBRD has been designed to have a strong private sector bias, which may enable it to perform functions that other institutions cannot. No more than 40 per cent of the bank's total loans, or loans to any one country, will be committed to the state sector while state-owned enterprises will only be able to tap it for funds if they are adopting free market strategies. Similarly, lending for infrastructure development or environmental improvement will depend on it being linked to "private sector development and the transition to a market-oriented economy." The bank will also promote small- and medium-sized private sector enterprises. It is expected to mobilise private sector funds for eastern Europe through co-financing activities.
- The EBRD will be able to use the 30 per cent paid-in portion of its capital for equity investments. This is potentially important given the heavy debt burden of several eastern European countries.
- The bank will be the first international financial institution to have the Soviet Union as a member. The EBRD could provide a forum to bring the USSR gradually into the international financial community as a preparation for IMF and World Bank membership.
- *The EBRD should also bring* under its wing other recipient countries that do not qualify for support from existing institutions. Bulgaria, for example, is a member of neither the IMF nor the World Bank. Czechoslovakia has applied to join the two Washington-based bodies, but will not gain World Bank support because its per capita income is too high
- Despite the chagrin felt by many EC countries at the way the G7 settled the final details about the bank, its shareholder structure will give the Community the decisive say in the bank's affairs and development. There will be no US blocking minority as in the IMF or World Bank.

Much will now depend on Mr Attali, the bank's first president. Now 46, Mr Attali is not a trained banker. Although he has written a biography about the late Sir Sigmund Warburg, one participant in the G7 meeting that ensured his appointment observed scathingly that he had probably only ever entered a bank to pick up a cheque book.

He is, however, endowed with powerful political instincts and is fiercely intelligent, almost to the point of caricaturing a French intellectual. While serving as President Mitterrand's *éminence grise*, Mr Attali managed to keep up a prodigious rate of output as an author. He has completed some 14 books in the past 17 years.

It is unlikely that he will be actively involved in the bank's detailed operations. But his decisions and those of the people he recruits will determine whether the BERD can fly.

FOREIGN AFFAIRS

Alas, poor Gorby

Edward Mortimer previews an asymmetrical summit

Will this be the last bilateral summit meeting between the leaders of the USA and the USSR? Perhaps not. Institutions always take time to catch up with reality, and winding up an old institution almost always takes longer than building up a new one.

It is easy to imagine, especially if you are too young to have a clear memory of the early postwar era, that all postwar history has been punctuated by such summits: we have been told often enough, after all, that the postwar world is or was "bipolar". But actually the first bilateral US-Soviet summit was held in 1961, between Kennedy and Khrushchev. Previous east-west summits – in 1955 and 1960 – had been four-power affairs. Britain and France were included not by virtue of their actual importance at the time but because their loss of importance since the period of real four-power diplomacy (1945-47) could not be publicly admitted without awkwardness.

Bilateral summits eventually became more or less regular occurences just at the time – the 1960s – when the world was ceasing to be bipolar, with the Sino-Soviet split on the eastern side and the emergence of Europe and Japan as economic powers (not to mention De Gaulle's demonstrations of political independence) on the western one. By now, in 1990, they are clearly an anachronism. The only thing that the US and the Soviet Union can seriously hope to settle between themselves is a strategic arms reduction treaty, because it is only the sheer size of their strategic nuclear stockpiles that still puts them clearly in a class apart from other states. But the rest of the world now feels much less concerned by this aspect of arms control than it did in the past. A direct exchange of nuclear strikes between the two could still be catastrophic for the rest of the planet, but it no longer seems very likely – and it would still be possible even with much lower numbers of weapons on each side than are envisaged in the treaty now being discussed.

For other purposes an exchange of views between the leaders of these two powers may be useful or even necessary, but no more so than the meetings which they each have separately with, for instance, President Mitterrand. Indeed, in as much as their discussions are likely to focus, according to most accounts, on German unity and the future security structure of Europe, it could well be argued that each of them should be less interested in the other's views than in those of Chancellor Kohl. The special build-up given to a US-Soviet summit is a kind of courtesy, just as it was a courtesy to go on treating Britain and France as notionally equal "great powers" in the 1950s. To a certain extent it reflects American self-importance. To a greater extent it is a courtesy to the Soviet Union, and to Mr Gorbachev in particular.

Alas, poor Gorby. An American columnist yesterday compared him to Jimmy Carter. The comparison that occurs to this British one is with Jim Callaghan. Like most memorable quotes in history the latter's remark "Crisis, what crisis?" is now said to be apocryphal. (*How good, I wonder, is the evidence that Henry II really said "Who will rid me of this turbulent priest?"*) But the image of a prime minister seeking to play down domestic chaos by appearing on a world stage with other "world leaders" endures. And the week before last a member of a Soviet delegation visiting Britain was heard to muse that the two countries had much in common: "we too are an ex-imperial power, struggling to define a new role for ourselves."

The special build-up given to a US-Soviet summit is a kind of courtesy, just as it was a courtesy to go on treating Britain and France as notionally equal 'great powers' in the 1950s

Yet who could deny that both Britain in 1979 and America in 1980 were models of order, prosperity and successful government compared to the Soviet Union today? The question is not merely whether it is a power capable of negotiating on equal terms with the US, but whether it is going to survive. Seldom can any national parliament have heard a confession of failure quite as abject as that of the Soviet prime minister last Friday: "We have no more money. We have no more gold to buy grain." Violence in Armenia, the secession of the Baltic republics: these seem like little local difficulties now that Russia itself is threatened with mass starvation, perhaps even civil war, while the Government of Ukraine declares its "firm opposition" to Mr Gorbachev's reforms.

Up to now Mr Gorbachev has used his popularity abroad, his good relations with foreign leaders (especially those of the US), and the general aura of success and dynamism surrounding his foreign policy, as a means of bolstering his prestige and tiding him through *difficulties* at home. Like other leaders in other countries before him, he has found that this tactic produces sharply diminishing returns. Worse, the point has now been reached where the main transference is in the opposite direction: it is domestic events that influence international reactions more than the other way round.

In fact it was the changes within the Soviet Union, as much as if not more than those in foreign policy, which brought Mr Gorbachev his great popularity abroad in the first place. The sudden blossoming of pluralism and freedom of expression in what had been the monolithic "evil empire" made it possible to take seriously his talk of "universal human values," and to believe that changes in foreign policy, with the weight of Soviet public opinion behind them, would not be easily reversed. But now even the Soviet leader's most sincere and enthusiastic well-wishers in the west are *obliged to take* notice of his growing unpopularity at home and his inability to control events. It seems almost quaint to remember that a year ago western diplomats were seriously worried lest the cautious, lacklustre President Bush should prove no match for the charismatic Soviet leader with his bold and innovative vision.

In reality Mr Gorbachev's position is now as weak abroad as it is at home. At home he may well be tempted to revert to dictatorial methods, and could perhaps expect some support if he did so, given the disastrous material results of his half-hearted economic liberalism. But "administrative command" will not bring food into the shops, and it seems very doubtful whether the administrative-repressive machine would any longer respond to Mr Gorbachev's touch. If it did so, it might well be only for a short period before he were either replaced by a more consistent and resolute authoritarian, or swept away by a new explosion of popular anger.

Abroad, he cannot now, after allowing a free election in East Germany to produce a government committed to unification, use the Soviet forces there to prevent that programme from being carried out. Nor can he stop a united Germany from deciding for itself whether it wishes to remain in Nato, and if so on what terms. Nor can he very long keep Soviet forces in Germany if the clear wish of the German people is that they depart. Nor indeed can he force other central European countries, which now have representative governments looking to the west for economic aid and political inspiration, to take his side in suddenly renewing the cold war.

That being so he must know that to break off "the whole process of negotiations in Europe," as he threatened in his joint press conference with President Mitterrand on Friday, would damage the Soviet Union much more than it could the west. Its most likely outcome would be precisely the one he most wants to avoid: the exclusion of the Soviet Union from Europe, leaving it to flounder, unaided, in the grim aftermath of communism.

Mr Gorbachev hopes to avoid that by modifying the structure and attitudes of Nato, and by persuading the west to join him in building new pan-European institutions. For that he needs the support of western, especially German, public opinion, and he may yet be able to get it. But uttering empty threats is not the way.

LETTERS

Giving independent directors teeth

From Mr E.W.I. Palamountain.

Sir, John Plender's article ("The limits of institutional power," May 22) and the accompanying editorial comment ("The role of shareholders,") rehearse once again the unsatisfactory situation in the field of corporate governance and responsibility.

Neither, however, comes up with any proposals likely to change the position. Institutional fund managers are not going to become more involved or interventionist at the behest of journalists or politicians. As for the proposal that the boards of large companies should be obliged to include a proportion of non-executive directors, the very title gives the show away.

To be of any use in protecting shareholders such directors need to be genuinely independent and to have a shareholder-protective role officially recognised as special. It seems increasingly probable that this state of affairs can only be achieved by the institution of a supervisory board on which executive directors would not be represented, although membership on the part of the chairman (being in any case, desirably, not also the chief executive) would be both proper and sensible.

There is no suggestion here that such a board would also serve as a vehicle for the representation of employees, as in Germany. The powers of a supervisory board could be large or small. One modest proposal is that they should be confined to the right to call for information and reports on the company's affairs at any time and publish them to all shareholders. Such publication might then stimulate the institutions into taking necessary action. This has much in common with Mr Plender's idea of commissioning management consultancy reports.

But the important thing is to give the independent directors teeth. Otherwise a dominant chief executive will always see them off and the reform of the company will only be achieved through the much less satisfactory alternative of a takeover.

Edgar Palamountain,
Wider Share Ownership Council,
Juxon House,
94 St Paul's Churchyard, EC4

From Mr George J. Bonwick.

Sir, Whilst concurring broadly with your editorial comment that "the time has surely come for the presence of non-executive boards to be mandatory for companies of more than a certain size," I suggest that this does not go far enough. It is of crucial importance that non-executives must have had no connection with the company. They must not only be completely independent but must be seen to be.

Two years ago in correspondence with the septuagenarian chairman of a plc which had made an extremely costly blunder as well as a few relatively minor ones, I urged him to appoint at least one independent non-executive additional to, or in replacement of the sole existing non-executive who was chairman of a subsidiary and hardly "independent." Nothing had been done by the time the plc chairman died in harness several months later.

At the first annual general meeting last year under the new *chairman, a protégé of the* old, I again urged the appointment of independent non-executives. He disagreed, contending in correspondence later (he refused to answer questions at the AGM) that he saw "no role for non-executive directors from the business world in general. They would, in the main, lack detailed understanding of our highly specialised business."

When the existing non-executive retired recently "having passed the company's normal retirement age," according to the chairman, he was succeeded by an ex-executive director who was a year older. Further, he had been a director at the time of the blunder which cost the company over £20m pre-tax.

As I believe that independent non-executives have become not merely desirable or necessary but imperative, especially in this particular concern in the light of another serious blunder which I am sure will cost the company dearly, I have decided to communicate my concern to the largest private shareholder and to two institutional investors hoping to enlist their co-operation and support in effecting board changes.

George J. Bonwick,
17 Chestnut Avenue,
Wokingham, Berkshire

From Mr Alex Hammond-Chambers.

John Plender's article raises all the many problems that institutional investors have in fulfilling their corporate governance roles as shareholders and owners of UK plc.

Within a capitalist economic system rights to private ownership are recognised. With those rights go the responsibilities of ownership which, if neglected, will eventually result in the rewards of ownership being lost. The issue of how institutions fulfil their corporate governance role is not therefore *one that they can afford to dismiss* as too difficult.

A first and important step towards fulfilling those obligations could involve the appointment, to the boards of UK plc, of directors representing the "institutional shareholder community." Insider trading rules make this difficult but conflicts of interest can, properly handled, be lived with.

Alex Hammond-Chambers,
1 Charlotte Square,
Edinburgh

Bleak outlook for special training groups

From Baroness Seear.

Sir, The Government has for a long time stressed the importance of collaboration between the statutory, voluntary and private sectors.

Voluntary organisations all over the country have responded by establishing specialised training agencies to meet the special needs of disadvantaged groups – of members of ethnic minorities, of the disabled and of ex-offenders. For this they have largely depended on the Government's Employment Training Scheme.

Much useful work has been done and valuable results achieved. But much of this work is now in jeopardy because of the drastic and sudden cuts in grants under the ET Scheme. At the same time the prospects for assistance with special needs training from the Training Enterprise Councils is uncertain and so far not encouraging.

Many of these schemes are already closing down, and the prospects for the remainder appear to be bleak. It is impossible to believe that the Government wishes such training to cease, but that is the likely effect of present policy.

Seear,
House of Lords,
Westminster, SW1

Beware the anger of the Dutch

From Mr Henk van Ommen.

Sir, In connection with the recent decision to locate the new European Development Bank in London, which has upset many of my countrymen, may I offer the advice that the planned location in Docklands might be risky.

The last time the Dutch were cross they sailed up the Thames, caused a lot of damage and captured the flagship, Royal Charles (June 22, 1667).

This period of the Second Dutch War was considered to be a national disgrace and undermined confidence in the government and foreign policy of England.

Henk van Ommen,
26 route d'Ellange,
Mondorf-les-Bains,
Luxembourg

No undercutting deal by the Vice-Chancellors

From Mr Tom Burgner.

Sir, You report that the heads of UK universities have "made an informal agreement not to undercut each other" in bidding for students. ("Universities resist funding cut," May 21).

This is not the case. There is no agreement, formal or informal, to do anything particular in the next month's bidding exercise.

When this matter was discussed by the Committee of Vice-Chancellors and Principals (CVCP) early in the process, Vice-Chancellors reported that they did not expect to be able to afford to bid below the University Funding Council's guide price for the number of students they already have.

The only agreement made was that the CVCP office would collect information centrally from those who wished to provide it.

Tom Burgner,
Secretary,
Committee of Vice-Chancellors and Principals,
29 Tavistock Square, WC1

FINANCIAL TIMES
Tuesday May 29 1990

SUPERPOWER SUMMIT

Soviet turmoil weakens Gorbachev

By Lionel Barber in Washington

THE POLITICAL and economic turmoil in the Soviet Union has left President Mikhail Gorbachev in a weaker bargaining position than any visiting Soviet leader in memory as he prepares for this week's superpower summit with President George Bush of the US.

The conference, which starts on Thursday, is expected to focus on Europe and the consequences of German reunification, but will also cover arms control.

Senior US officials remain cautiously optimistic that they can reach a broad agreement on strategic arms, although less than the 50 per cent cut originally sought, and on destroying chemical weapons.

Mr Gorbachev's domestic troubles, however, have created an air of uncertainty around the summit, particularly on conventional arms talks in Europe and on the issue which Washington regards as a major sticking point: the membership of a united Germany in Nato.

In an interview with Time magazine, part of a Soviet media blitz in the run-up to this week's talks, Mr Gorbachev said he expected a "major disagreement" on German membership of Nato. He said he opposed the idea that Nato, with Germany as a member, could play the leading role in creating a new European security order.

US officials, however, are studying closely remarks made by Mr Gorbachev during his meeting with President François Mitterrand of France. The Soviet leader raised the possibility of Germany belonging to Nato's political organisation if it stayed outside its military command.

This "French solution", modelled on France's position inside Nato, is not acceptable to the US. However, Washington is likely to be encouraged that the Soviet leadership appears to be focusing on the conditions for German membership of the alliance.

Mr Bush continues to view Nato as the primary vehicle for exerting influence and acting as a force for stability in Europe. In an interview with the BBC, he said the principal aim of the summit would be to find answers to questions such as: "How does post-German unification look? Who will be calling the shots? What is the role of the US in terms of stability."

Although concerns about agreeing on a mutually acceptable security order in Europe are paramount, both sides are expected to try to make progress on long-standing regional conflicts in Afghanistan, Cambodia and Angola as well as the latest worrying outbreak of tensions between India and Pakistan over Kashmir and Soviet support for the Castro regime in Cuba.

In their last summit encounter in Malta in December, both leaders raised the prospect of a new era of co-operation. But in this second meeting the mood is expected to be much more businesslike.

This is a result of recent clashes over Lithuania's bid for independence (which has already derailed hopes of a bilateral trade pact being approved at the summit), but also a realisation on the part of US officials of the overwhelming economic constraints on Mr Gorbachev.

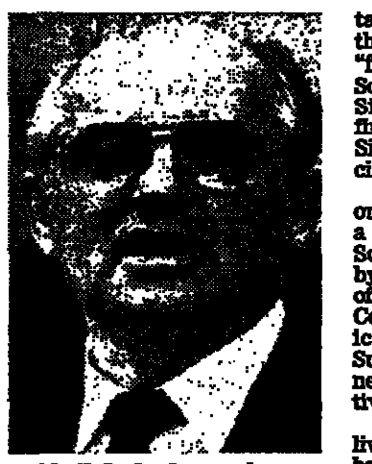
Mr Gorbachev is scheduled to arrive tomorrow evening and will be greeted officially at the White House on Thursday morning. He will hold formal talks with Mr Bush in the Oval Office, before departing for Camp David at the weekend. On Sunday, he will leave Washington and make short visits to Minnesota and San Francisco, where he is expected to have breakfast with Ronald Reagan.

Mr Gorbachev arrives in Ottawa this afternoon for a 30-hour stay en route to his summit with President Bush.

Silicon Valley opens its doors

Louise Kehoe looks at a changing aspect of US-Soviet relations

PRESIDENT Mikhail Gorbachev's planned post-summit visit to Northern California's "Silicon Valley" next week demonstrates the eagerness of the Soviet Union to expand high-technology trade with the west. It also symbolises the extraordinary changes that are underway in US-Soviet relations.


Mikhail Gorbachev: welcome

Until now, this centre of US high-technology industry has been strictly off limits for east bloc officials. Mr Gorbachev's consular representatives in San Francisco, for example, have not been permitted to travel the 30 miles or so south to visit Silicon Valley's electronics companies without special permits, which have seldom been granted.

US high-technology executives have not even been allowed to talk to east bloc representatives without first obtaining an export licence, since such conversations might conceivably involve a "transfer of technology". Tours of advanced technology manufacturing plants in Silicon Valley by east bloc officials have also been forbidden, according to the US Export Administration.

Yet next week President Gorbechev is to visit Stanford University, one of the region's leading high-technology research institutions. He is also expected to lunch with a group of high-technology industry executives and possibly to tour one or two of the computer and semiconductor plants in the area.

Mr Gorbachev's visit is widely seen as the first step in dismantling the wall of security that has surrounded US high-technology industry. It comes just as Cocom, the Paris-based Co-ordinating Committee on Multilateral Export Controls, is about to debate a significant liberalisation of export controls on the sale of high-technology products to the eastern bloc.

In typical Silicon Valley entrepreneurial style, a group of hitherto unknown consultants is taking advantage of the Gorbachev visit to organise "face to face meetings between Soviet high-tech managers and Silicon Valley electronics firms" at the first ever "Soviet Silicon Summit" timed to coincide with Mr Gorbachev's visit.

Mr Mark Muchnick, the organiser, promises to produce a high-level delegation of Soviet technologists – headed by Mr Yuri Gulyaev, Chairman of the Soviet Commission on Communication and Informatics, and a member of the Supreme Soviet – to talk business with Silicon Valley executives on their home ground.

If the Soviet Silicon Summit lives up to its billing, it could be an historic event. Many US industry executives remain cautious, however, about contact with the Soviets after years of prohibition.

There is intense curiosity, nonetheless, about the possibility of developing new market opportunities in the eastern bloc. Last week Atari Corporation, the video game and personal computer manufacturer, said that it was working out a deal to swap personal computers with Soviet-produced memory chips. Other personal computer makers, including Apple Computer, are also investigating opportunities in the Soviet Union.

In a move that demonstrates the growing enthusiasm surrounding Mr Gorbachev's visit, Mr T.J. Rodgers, president of Cypress Semiconductor, one of Silicon Valley's fastest growing chip makers, issued a public invitation to Mr Gorbachev to visit his company in full page newspaper advertisements this weekend.

"Welcome, President Gorbachev. We have what you came here to see," Mr Rodgers said. Mr Gorbachev should have an opportunity to see entrepreneurism at work first hand, he believes.

"You will be visiting my alma mater, Stanford University," Mr Rodgers stated in his public letter to Mr Gorbachev. "The employees of Cypress and I invite you to see 'life after Stanford' at an entrepreneurial, Silicon Valley electronics company. Please accept our offer to tour Cypress, and see for yourself how Fortunes are made."

Mr Rodgers' message reflects the view that Mr Gorbachev, like the political leaders of many other countries that have visited Silicon Valley in the past, wants to learn about what makes this region a hotbed of entrepreneurial activity.

The excitement surrounding his planned visit should not be misinterpreted, however, US government officials are cautious. "Glasnost does not mean an end to export controls", they warn.

Iraq calls for tougher Arab stance on US

By Tony Walker and Lamis Andoni in Baghdad

ARAB STATES should adopt a much tougher posture towards the US over its support for Israel, including the possible application of sanctions, Mr Saddam Hussein, Iraq's President, said yesterday in combative opening remarks to an emergency Arab League summit.

Mr Saddam Hussein, bidding for a regional leadership role, sought to establish a militant tone for the summit which has been called to debate the mass influx of Soviet Jews to Israel.

He said no country had the right to "enjoy our resources" while they were hostile to Arab states.

The Iraqi leader accused the US of "major responsibility for Israeli aggression against the Palestinian people ... The US is the main source of arms and financial aid to Israel. The US, to a great extent, provides political cover for Israel."

He referred to the United Nations where he said the US intervened repeatedly to ease pressure on Israel.

Mr Saddam Hussein also called on fellow Arab leaders to endorse collective action should Israel attack any Arab state. "We should announce clearly that if Israel attacks us we are going to hit back fiercely," he said.

In April, the Iraqi leader threatened to scorch half of Israel with binary chemical weapons if his country was attacked with a nuclear device. His threats set off a storm of criticism in the west.

Later Palestine Liberation Organisation leader Yassir Arafat asked Arab leaders to revive a joint Arab League defence council and boycott anyone helping Soviet Jews reach Israel.

He told the Arab summit the US was providing "flagrant support and scandalous connivance" in Israel's settlement of Jews in occupied Syrian and Lebanese territory, as well as in the occupied West Bank and Gaza Strip.

President Hosni Mubarak of Egypt, leader of the Arab moderates, sought to calm anti-American sentiments by saying that Arab states should not deal with the issue of Soviet Jewish immigration "from the perspective of fear ... this issue should not necessarily be a source of conflict with one or many countries."

However, Mr Mubarak's remarks seemed at odds with the mood evident at the summit opening. The generally pro-US King Hussein of Jordan appeared to support the militant line of his Iraqi counterpart.

Mr Saddam Hussein's call for possible economic sanctions against the US followed a more specific demand made in February when he said Arab states should consider withdrawing their funds from the US and depositing them in eastern Europe or the Soviet Union.

It seems unlikely that his reference to sanctions yesterday will arouse much enthusiasm, especially among conservative Gulf states which would be extremely wary of using the oil weapon against the US.

The leaders of Syria, Algeria, Lebanon and Oman were absent from the summit's opening sesssion. President Hafez al-Assad of Syria has a long-standing personal feud with Mr Saddam Hussein.

IRA admits killing two Australians in bungled gun attack

By Kieran Cooke in Dublin, Michael Cassell in London and Kevin Brown in Sydney

THE Irish Republican Army last night admitted it murdered two Australians in the Netherlands on Sunday, saying they had mistaken them for British Army personnel and offering their regrets.

The admission came as Dutch, Belgian and West German police launched a wide-ranging search for the killers of

of the Australians, Mr Nick Spanos and Mr Stephen Melrose. The two, both London-based lawyers in their 20s, were gunned down in the Dutch town of Roermond, eight miles from the West German border and less than 20 miles from Belgium.

They had stopped to take pictures in Roermond's market place. Witnesses said two or possibly three gunmen, all dressed in black and wearing balaclavas, fired on them with submachine guns.

Two women in the car, Ms Vicky Coss and Mrs Lyndal Melrose, were unhurt. Belgian police later found the burnt-out shell of the gunmen's getaway car. The Australians' Citroen car had UK number plates. Dutch police believe the IRA mistook them for British military personnel.

Roermond is one of a number of towns in the south of the Netherlands frequented by British military visiting from their nearby Rhine army bases in West Germany.

Dutch police offered a £35,000 ($59,000) reward to try to speed the killers' capture.

British military intelligence believes the IRA, which opposes the British presence in the province of Northern Ireland, has up to three "Active Service Units" the continent.

Over the past two years, the IRA has attacked a number of British military based in West Germany. In May 1988, three soldiers were killed and three wounded in co-ordinated IRA attacks near Roermond.

The British military authorities substituted ordinary British number plates for the easily-identified plates once obligatory on the vehicles of military personnel.

British MPs intend to raise the issue of number plates when the House of Commons returns next week. Mr David Young, an Opposition Labour MP, said he would demand to know what action ministers intended to take to prevent potential British targets on the European mainland from being identified.

Mrs Margaret Thatcher, the British Prime Minister, who was said to be "shocked and concerned", sent a message of condolence to Mr Bob Hawke, the Australian Prime Minister. Australian reaction to the killings was initially muted, but the attack was strongly condemned by Mr Neal Blewett, the acting Foreign Affairs Minister as "this appalling and evil deed."

Mr Archie Hamilton, Britain's armed forces minister, offered his sympathy to the families of the murdered men, adding: "This is typical of the IRA's total lack of regard for human life."

In early 1988 the IRA said that all British military, whether on or off duty, would be considered as targets.

Dublin told of political progress on N Ireland, Page 8

THE LEX COLUMN

Disclosing the same old faces

For once, it may be wise not to bother reading all the small-print. There may, it is true, be a few gems hidden in the rush of announcements on the Topic screens expected this week as investors comply with the 1989 Companies Act, and start disclosing any stakes they hold of more than 3 per cent in British quoted companies. But it does not seem likely that a host of previously unknown predators will fall out of the woodwork.

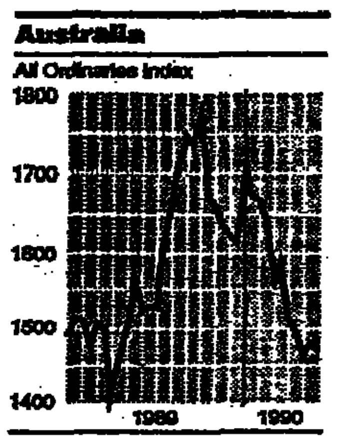
The Topic news service will be dominated by details of the 3-per cent plus stakes owned by the large institutions; perhaps 50 at PosTel, maybe 80 from Standard Life. Such revelations should not rattle many managements. The point worth making is that the new 3 per cent rule has already been rendered semi-redundant by the determination over the last three years with which quoted UK companies have been flushing out hidden shareholders. The instrument is the Section 212 notice to force nominees to disclose their beneficial ownership.

The chances are, these days, that the most expert stockbroker would have trouble building up more than a 2 per cent stake without the company involved identifying the buyer. Some companies, like Rolls-Royce, use 212 notices sparingly: it has only ever sent out three, though it was the target of heavy buying by unknown parties a few weeks ago. More typical is Guardian Royal Exchange which has sent out 100 such notices in the past year. Fulcrum Publishing, which produces the Index of Nominees, reckons it can identify 90 per cent of the names on the average British company's share register, thanks to its database from the results of 212 investigations. Hence, if a company gets a nasty shock, it can only blame itself.

But one word of caution is required. All the above assumes that people are keeping the law's letter and spirit. But it may still be possible to use ADRs, or UK shares listed on some overseas exchanges, to get round the rules; or just to break the Companies Act altogether. To that extent, the 3 per cent limit will only be fully effective if the authorities police it properly.

Conglomerates

There is still no end in sight in the UK to the debate about whether conglomerates are good or bad, but in continental Europe the argument has barely started. Hence the fascination of Suez and Paribas, the two French financial holding companies: Suez, with a market value of about FFr56bn (£6bn), and Paribas, somewhat smaller at FFr40.5bn. Conglomerate is a label neither company probably much likes; but it seems a fair enough description of Suez's array of banking, cement, zinc smelting, insurance and real estate interests, and Paribas's mix of banking and French industrial holdings. The relevant point though is that in spite of two huge takeover bids since 1988, Suez's share price has risen 60 per cent since November 1987; and that of Paribas, though less buoyant, is 41 per cent above its own pre-crash high.



This is not bad going; and since mid-1989 both companies, especially Suez, have strongly outperformed the Paris Bourse generally. This poses something of an intellectual challenge for orthodox Anglo-American commentators used to arguing about the greater merits of unbundled companies which stick to their knitting. Not that there is any shortage of explanations for the appreciation the shares of Paribas and Suez have shown. In Suez's case, there are details like its large indirect holdings of Parisian real estate, or its big stake in Lyonnaise des Eaux. Both have done very well this year, along with French asset values generally. As for Paribas, there was the recovery it engineered at its retail banking off-shoot Credit du Nord, and the speculative excitement of its failed bid last autumn for Navigation Mixte. It did not hurt the share price when Mixte bought at least 12 per cent of Paribas.

Of course, the whole thing could end in tears, not least at Suez, which has expanded the more ambitiously. But, given the the strength of the French economy, and the fact that both company's shares are trading at discounts of more than 20 per cent to net assets, a hard landing does not seem too likely. The debate will run and run; but unless French stock market investors are completely barmy, it begins to look as though it is the Anglo-American view of things which needs revising.

Australian banks

If British and US bankers think they have problems, they should spare a thought for their Australian cousins. A long period of extremely high real interest rates and a slowing economy, is taking a heavy toll on their more highly leveraged corporate customers. Bond, Hooker, and Quintex are just some of the well known casualties. But two thirds of ANZ's sharply higher first half bad debt provisions, for example, covered problems amongst small and medium sized Australian businesses.

The recent interim bank results clearly reflected Australia's economic pain. Westpac's miserable performance was partly hidden by a $A198m pension fund surplus whilst National Australia Bank's results were greatly helped by the strong showing of its newly acquired UK and Irish banks. The shares of Westpac and ANZ, the country's two biggest banks, are yielding close to 11 per cent to foreign investors, and considerably more to domestic ones. By contrast, Standard Chartered and Chemical, two of the weaker big banks in the UK and the US, are only yielding a shade over 10 per cent and are not as strongly capitalised.

Fears that Australian banks are going to cut their dividends are greatly overdone. Bankers the world over know that it sends the wrong sort of signal to the money markets. But if the dividends are more secure than they seem, it is still far from clear that profits are on the mend yet.

The other complication is that the long expected restructuring of Australian banking has been put on hold once again following the Government's recent decision to block ANZ's controversial purchase of National Mutual Life. If this had been permitted, it could easily have triggered similar defensive moves by the likes of Westpac and AMP, and the creation of a couple of giant financial institutions. Australian banks had already taken precautionary stakes in each other, and these will probably have to be unravelled, especially if the ANZ/NML decision means that the Government now intends to maintain the status quo. It is not good news for bank shares.

Burma's rulers concede

Continued from Page 1

said the military rulers would step aside after lawmakers draft a new constitution and a new government was elected "The army will abide by the new constitution," he said.

Kyaw Sann, another military spokesman, said: "It is totally up to the elected members [of the new legislature]. They can move as quickly as they like and take power." But, Ohn Gyaw, Deputy Foreign Minister, said the military council might establish temporary ground rules for the parliament. He declined to elaborate.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	T	17	63	Dallas †	C	21	70	Madeira	C	21	70	Prague	F	12	54
Algiers	C	19	66	Dublin	F	17	63	Madrid	S	22	72	Reykjavik	C	12	54
Amsterdam	F	13	55	Dubrovnik	F	22	72	Majorca	S	24	75	Rhodes	S	22	72
Athens	S	28	82	Edinburgh	S	17	63	Malaga	S	22	72	Rio de Janeiro		–	–
Bahrain	S	34	93	Faro	S	26	79	Malta	R	24	75	Rome	F	23	73
Barcelona	S	22	72	Florence	S	22	72	Manchester	S	19	66	Salzburg	C	17	63
Belfast	F	18	64	Frankfurt	F	15	59	Melbourne	S	12	54	S'Francisco †	C	12	54
Belgrade	S	21	70	Geneva	S	19	66	Mexico City		–	–	Santiago		–	–
Berlin	C	15	59	Gibraltar	C	22	72	Miami †	C	25	77	Seoul	S	24	75
Biarritz	S	21	70	Glasgow	F	19	66	Milan	F	20	68	Singapore	F	33	91
Birmingham	S	20	68	Guernsey	S	17	63	Montreal †	S	15	59	Stockholm	F	14	57
Blackpool	S	19	66	Helsinki	F	11	52	Moscow	S	15	59	Strasbourg	F	19	66
Bombay		–	–	Hong Kong	C	27	81	Munich	F	16	61	Sydney	C	19	66
Bordeaux	S	23	73	Innsbruck	F	17	63	Nairobi	C	18	64	Tangier	F	25	77
Boulogne	F	16	61	Inverness	F	15	59	Naples	C	23	73	Tel Aviv	S	29	84
Bristol	S	20	68	Isle of Man	S	15	59	Nassau		–	–	Tenerife	S	23	73
Brussels	S	15	59	Istanbul	F	19	66	Newcastle	F	19	66	Tokyo	F	27	81
Buenos Aires		–	–	Jersey	S	20	68	New Delhi	S	40	104	Toronto †	S	14	57
Budapest	F	19	66	Johannesburg	S	18	64	New York †	S	17	63	Tunis	F	23	73
Cairo	S	38	100	Las Palmas	F	24	75	Nice	C	20	68	Valencia	S	24	75
Cape Town	S	22	72	Leeds	S	20	68	Nicosia	S	32	90	Venice	S	21	70
Cardiff	F	20	68	Lisbon	S	26	79	Oporto	S	25	77	Vienna	F	16	61
Chicago †	F	13	55	Locarno	F	21	70	Oslo	S	15	59	Warsaw	F	14	57
Cologne	F	13	55	London	S	20	68	Paris	S	19	66	Washington †	C	16	61
Copenhagen	F	14	57	Los Angeles †	R	14	57	Peking		–	–	Wellington	S	13	55
Corfu	S	24	75	Luxembourg	F	13	55	Perth	R	15	59	Zurich	S	17	63

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Union will boost German growth

Continued from Page 1

account, which have enhanced US investment income, the OECD has now projected a deficit of $99.7bn this year, falling to $96.9bn in 1991. Last December, it anticipated deficits of $118.1bn and $123.8bn in 1990 and 1991 respectively.

The OECD's projections are, as always, based on the assumption that there will be no change in actual and announced policies, or exchange rates and oil prices.

In spite of the major political changes affecting the world economy since December, the organisation has forecast similar growth and inflation patterns for the industrialised world as a whole. Growth in its 24 member states is forecast at 2.9 per cent this year and next. Inflation in the OECD area is expected to stick at 4.4 per cent in both years, whereas last December it was forecast to ease back next year.

The OECD ministerial meeting is expected to express general satisfaction with the state of world growth while urging countries to be vigilant against inflation.

SUMMARY OF OECD PROJECTIONS*
(Seasonally adjusted at annual rates)

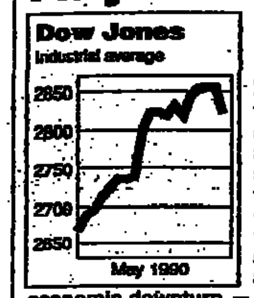
	1988	1989	1990	1991
Real GNP (% change‡)				
US	4.4	3.0	2.3	2.5
Japan	5.7	4.9	4.7	4.0
Germany	3.6	4.0	3.9	3.4
OECD Europe	3.8	3.5	2.9	2.8
Total OECD	4.4	3.6	2.9	
2.9				
Inflation (GNP/GDP deflator)(% change‡)				
US	3.3	4.1	4.2	4.5
Japan	0.6	1.5	2.7	2.6
Germany	1.5	2.5	3.0	3.4
OECD Europe	4.9	5.5	5.4	5.1
Total OECD	3.5	4.3	4.4	4.4
Current balances ($bn)				
US	-125.6	-103.7	-99.7	-96.9
Japan	79.6	57.2	48.5	59.4
Germany	48.5	52.7	63.3	61.7
OECD Europe	15.3	-3.7	10.4	7.9
Total OECD	-49.7	-84.4	-77.0	-66.8
OPEC	-14.8	4.1	2.9	3.4
Non-OPEC dev countries	4.7	-4.4	-6.9	-8.6
Unemployment (% of labour force)				
US	5.5	5.3	5.3	5.4
Japan	2.5	2.3	2.2	2.3
Germany	6.1	5.5	6.1	5.9
OECD Europe	9.2	8.6	8.6	8.5
Total OECD	6.9	6.4	6.4	6.5
World Trade†(% change‡)	9.0	7.3	6.3	6.9

*assumptions include: no change in policies; no change in exchange rates from 2/5/90 i.e. $ = Y158.55 and DM1.69; oil price $17 per barrel for first half of 1990 and constant in real terms thereafter. †Average of growth rates of world import volume and world export volume. ‡from previous period.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday May 29 1990

INSIDE

Spectre of the Nifty Fifty haunts Wall St



As the Dow Jones Industrial Average surges to *record highs — leaving* broad indices such as the Standard & Poor's 500 behind — Wall Street analysts are sounding notes of caution. They hark back to the heady days of the 1970s when "Nifty Fifty" stocks — believed to be a sure bet, even in an economic downturn — were all the rage. But the over-valued companies failed to come good. Janet Bush looks at the case for comparison in the current divergence. **Back Page**

Tough times for Tokyo bankers

Top *Japanese banks are taking* a beating under rising interest rates, increasing competition, and new provisions for Third World debt. A recent plunge in Japanese stock and bond markets only made matters worse as the 12 city (commercial) banks revealed big drops in annual profits yesterday. **Page 25**

Battered, but not beaten

New international equity issues have been hit by the withdrawal of Japanese investors. There are signs, however, that the market is reviving. Liberalised private placement rules in the US and rising domestic stock markets in Europe will in future encourage more international issues. **Page 29 23**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Foncière Lyon	1049	+	40
Rises				Sanofi	1040	+	10
Aachener Münch	927	+	37	**Falls**			
Volkswagen	598	+	8	Eternit (Fin.)	2327	−	61
Falls				Radiotech	706	−	14
Dresdner Bank	414	−	13.5	**TOKYO (Yen)**			
Kloeckner Werke	217	−	39	**Rises**			
Hochtief	1315	−	15	KOA	1090	+	108
Horten	280	−	6	Sanwa Daiei El.	910	+	100
PARIS (FFr)				Shimizu	2040	+	180
Rises				**Falls**			
Club Medit	680	+	10	Hinode Kisen	951	−	99
Dollfus-Mieg	610	+	10	Mitsumura Print	2450	−	210
				Nippon El.Glass	2580	−	290

London and New York market closed

Losses hit Y29bn at Fuji car group

By Stefan Wagstyl in Tokyo

FUJI HEAVY Industries, the troubled Japanese car maker, has reported an annual operating loss of Y29.6bn ($196m), its first-ever loss and far bigger than the Y23bn loss it forecast as recently as three months ago.

The result for the year to March is the first numerical evidence of the extent of the difficulties Fuji, maker of Subaru cars, faces in keeping pace with intensifying competition in the world car industry.

Earlier this year, Nissan Motor, the second-largest car maker and leader of the industrial grouping which includes the troubled group, undertook to try to rescue Fuji. It despatched Isamu Kawai, a senior executive of Nissan Diesel, another affiliate, to take over as president of Fuji.

Fuji, reporting unconsolidated figures, said sales were down marginally by 0.8 per cent at Y658bn. However, promotion and marketing costs rose sharply as the company tried to boost flagging sales of its main models — mini-cars in Japan and four-wheel drive vehicles also in its home market and in the US.

Administration and other costs were also far higher than the previous year — a sign of the new management getting to grips with the company's problems.

Fuji avoided going into the red at the pre-tax level by selling securities, as it has done in the past. Nevertheless, the pre-tax result was 52 per cent down at Y6.65bn, and net profits were 47 per cent lower at Y5.74bn.

The dividend was cut from Y8 to Y6. The company made no forecasts for the current year.

● Daihatsu, another second-tier manufacturer dependent on mini-car sales, also suffered from tough market conditions last year.

Its operating profits fell by half to Y5bn following a 12 per cent decline in vehicle sales.

The result would have been worse had not Toyota Motor, the largest Japanese company, come to Daihatsu's help with an increase in orders for cars made on consignment.

Daihatsu is a member of Toyota's industrial grouping. As a result, total sales rose by 1.6 per cent to Y694.6bn. Net profits were down 17.8 per cent at Y11.0bn.

Unlike Fuji, Daihatsu makes a forecast for the current year. It expects a sharp improvement in sales and profits due to a revision of rules governing the mini-cars. The maximum engine size for these vehicles, which enjoy special tax breaks, has been raised from 550cc to 650cc.

Computers threaten the futures pits

Deborah Hargreaves and Barbara Durr on the Chicago trading link

LAST week's decision by the leading US futures exchanges to combine their after-hours trading systems brings the futures and options industry a step closer to 24-hour trading on a worldwide electronic market — one that could eventually replace the industry's frenetic trading pits with a computer.

By joining forces, the Chicago Board of Trade (CBT) and Chicago Mercantile Exchange (CME) — which account for half of the world's futures trading — have ensured that their joint trading system will become an industry-wide network. Reuters, the UK information group, is to develop the joint system in a contract that could add 25 per cent to its revenues within five years.

The two exchanges are pushing the system as an industry standard to which France's Matif has already agreed. The Chicago Board Options Exchange has an option to join the electronic market, and exchanges in London, Sydney and Tokyo are expected to sign up. Indeed, it will be hard for other exchanges to resist the temptation to trade their products on the global club created by the new system.

The joint system is to be developed by Reuters, the UK information group, which has already spent the past two years developing the technology that will be at the heart of the network. The effect on Reuters was underlined when the company's shares rose by 23 pence on the day after the announcement in a depressed London market.

As screen trading steals its way into Chicago's trading pits, Reuters will reap the benefits, charging a transaction fee for each trade running through the system as well as an installation charge for its machines.

The exchanges plan to operate the system as an after-hours market for some of their products when their own trading floors are closed. But there is a strong feeling in the futures industry that the day is not far off when all trading will be screen-based.

Mr Quintin Price, agencies analyst at James Capel, the leading London stockbroker, believes that futures trading will not become fully screen-based until 1995 at the earliest. But when that happens, he places a conservative estimate of an annual $500m on the revenues that will accrue to Reuters.

Reuters can expect to gain $25m to $30m in extra revenues from the futures system in 1991, a source of earnings that will represent a growing chunk of its £1.5bn ($2.5bn) overall turnover.

"We see transaction services as providing a very key element of growth in years to come," says Mr André Villeneuve, president of Reuters North America.

Access to the system will not come cheaply. Reuters is already developing an electronic system — Globex — in conjunction with the CME. This will form the basis for the new market. As part of the agreement on Globex, Reuters will receive a $1 transaction fee for each trade processed through the system. On top of that, it will charge $800 for installing each terminal.

Transaction fees on the after-hours market, at $2 to $6 a trade, will be almost double the level charged by floor brokers in today's market. But the fees charged will be reduced as volume on the system rises.

For the large brokerage houses which will be the major users of Globex, screen trading is much cheaper than maintaining a physical presence on the floor. One broker estimates he can cut his overheads by one-third if he trades entirely on a screen.

The large-scale investigation by the FBI into fraud on Chicago's exchanges has strengthened calls for a screen system — one that is easier to police than the scrum of floor trading.

The two exchanges had been developing their trading systems independently. Market users put pressure on them to combine the two projects and the CBT faced opposition to spending money on its own electronic market when the CME was already ahead.

Mr Patrick Arbor, a CBT board member, estimated that the organisation would save some $17m to $18m of the $25m budgeted for development of its system, Aurora. A little more than $5m has already been spent and "a couple of million more" would be needed to put the system together with Globex, he said.

A final push to the CBT's decision was the indication last week by the Japanese Ministry of Finance that it is ready to approve Globex. Japanese investors are only just beginning to turn to derivatives, but both exchanges are eager to exploit what could be a lucrative market.

Mr Villeneuve says the combined system will be similar to Globex. A prototype will be ready in November. Some traders in Chicago say they prefer the Globex system — which electronically matches trades — to Aurora, which replicates pit trading by requiring manual selection of trading partners. "It's more fair," said one bond trader.

However, the smaller, independent traders who provide the markets' lifeblood have been less convinced of the benefits of the electronic marketplace. The "locals," as independent traders are known, believe screen trading is being promoted by big brokers who could wipe them out. To win them over, the exchanges have introduced incentive programmes which will make it cheaper for the locals to trade electronically.

Practical questions aside, last week's development has an important symbolic aspect. The agreement between the two exchanges is an unprecedented step towards co-operation. To take part, the CBT has had to overcome its traditional aloofness towards its more innovative and younger neighbour. In this respect, as in its endorsement of electronic trading, the pact may prove a harbinger of the future. The two Chicago giants have been forced to get together by the competitive threat posed by the growth of new exchanges around the world — many of which are screen-based.

Amro, ABN plan Fl 1.3bn rights issue

By Laura Raun in Amsterdam

AMRO and ABN, the two big Dutch banks which plan to merge, will raise Fl 1.3bn ($722m) in fresh capital when they join forces through a public bid in the third quarter of this year.

The money will be raised through a rights issue. It will give shareholders in the newly-merged bank a claim to one new preferred share for each common share held.

The proceeds will be used for expansion, the two banks explained yesterday.

It is understood that an acquisition abroad is likely soon after the merger.

The newly-merged bank will rank about sixth in Europe and nineteenth worldwide with a combined balance sheet total of Fl 352.9bn.

It will have 1,473 branches in the Netherlands, 375 abroad and employ 55,712 people.

The employees will have unconditional guarantees against forced lay-offs.

Under the public bid, four shares of the ABN Amro holding company will be issued in exchange for two existing shares of ABN or one of Amro.

Mr Roelof Nelissen, chairman of Amro, will head the newly-merged bank until 1992, when he will be succeeded by Mr Robert Hazelhoff, his counterpart at ABN.

The board of management will initially be comprised of the 14 members belonging to the banks' existing executive.

This number will shrink to between seven and 10 through natural attrition.

United Biscuits in talks with Verkade

By Nikki Tait in London and Laura Raun in Amsterdam

UNITED BISCUITS (UB), the UK-based biscuits, snacks and frozen food group, was yesterday locked in negotiations in an attempt to secure its acquisition of Koninklijke Verkade, the quoted Dutch biscuit and chocolate manufacturer.

The British company is facing opposition to the price at which the deal with Verkade has been struck from a handful of institutional shareholders — six Dutch and one American. Together, they control about 45 per cent of Verkade's shares.

Verkade's shares were suspended late last week in Amsterdam and, according to Verkade's advisers, Van Meer James Capel, negotiations with UB began on Sunday in an Amsterdam hotel. In London, United Biscuits declined to comment on the situation, but it seems likely that a statement will be issued today.

UB announced in late-March that it hoped to acquire Verkade via a Fl 400 per share offer, its first move into Continental biscuit production. This valued the group at about ($145m). Since then, it has secured the agreement of Verkade's management board, the Works Council, and said that discussions with the trade unions "have been favourably completed."

Verkade earned about Fl 12m ($6.5bn) on sales of Fl 266m in 1989, and the exit multiple offered by the UB bid is considerably above average levels in Amsterdam.

However, Van Meer James Capel claimed that calculations — "which were not done on the back of a cigarette packet" — suggested that a price somewhere between Fl 495 and Fl 615 a share would be fair, although it suggested that there was some room for manoeuvre.

"Four hundred is too low," the advisers said. "We really hope that there is a price at which the buyers will not be too unhappy and at which the sellers will not be too unhappy."

Rumours have circulated in Amsterdam that Jacob-Suchard, the Swiss chocolate company, might also have built up a stake in Verkade but sources in both the Netherlands and Switzerland suggest that this is almost certainly untrue. In accordance with normal policy, Jacob-Suchard declined to comment.

The tussle reflects a growing rebellion by Dutch shareholders, who enjoy limited rights, and the increasing influence of foreign financial institutions in the domestic market.

Economics Notebook

Business takes an interest in Ecu

ALL OF A sudden the European Currency Unit (Ecu) is back in the news.

The past two weeks have seen the publication of a weighty report* prepared by business consultants Ernst & Young urging European governments to adopt a strategy and timetable that would turn the Ecu into the vehicle for achieving economic and monetary union (EMU) in Europe.

In addition, the Ecu, or a "hard" variant of it, has featured strongly in a detailed plan** amplifying many previously obscure aspects of the British Government's idea of approaching EMU by way of competing currencies.

This plan, produced by Sir Michael Butler, a former UK ambassador to the European Community, and Mr Paul Richards, a director of the merchant bank Samuel Montagu, has prompted extra excitement because it was prepared in consultation with Bank of England and Treasury officials, and has been outlined to Mrs Margaret Thatcher, the Prime Minister.

It is now expected that the Ecu will figure prominently in the British Government's alternative proposals for achieving monetary union that will be put the EC's Inter-Governmental Conference (IGC) at the end of this year.

Significantly, much of the impetus for the two recent reports has come from business.

The Ernst & Young report was commissioned by a business-led body, the Association for the Monetary Union of Europe, which has an active membership of 200 European companies. Incidently, only a handful of these are British. Although the Butler-Richards paper was crafted with more of an eye on Mrs Thatcher's dislike of the supposed European super state than on the needs of the business community, it appeared under the flag of the British Invisible Exports Council.

Nor, according to Mr Andrew Sentance, a senior economist at the Confederation of British Industry, should this apparent business interest in EMU come as a surprise. "As the barriers to trade identified under the EC Commission's 1992 programme have been reduced, business has come to focus on the costs of operating different currencies in Europe," he says.

● The Commission has calculated that a single currency could save European business about Ecu15bn ($18bn) by eliminating the costs of multi-currency handling.

● A Price Waterhouse study has suggested that British manufacturers alone could save up to £155m ($262m) a year in hedging costs.

Last week, at a conference in London, Sir Leon Brittan, the vice president of the EC Commission, told of the problems of small businessmen whose exchange rate and transaction costs in Europe can be 10 times higher than their profit margins.

Mr Brian Garraway, the deputy chairman of BAT Industries, the tobacco-based conglomerate, told the same meeting that fluctuating exchange rates had damaged the growth and prosperity of business in Europe.

"Years of effort in containing wage and production costs can be erased in a single afternoon's trading on the foreign exchanges," he said. A bid for an overseas order "might be rendered nonsensical" by currency changes. Misaligned currencies could cause investment to migrate abroad permanently, he said.

But is the Ecu really the answer to problems of businesses in Europe? "Not in its present form" must be the answer, judging from the detailed prescriptions advanced to make it more attractive.

The Ecu is a weighted basket of EC currencies. The founding fathers of the European Monetary System (EMS) thought it should be "at the centre" of the new regime. But, although it has been a successful investment instrument, particularly in the Eurobond market, it has yet to be accepted as a vehicle for transactions.

That is why the Ernst & Young report urged governments to make a "credible announcement" that the Ecu would be the single currency of Europe by 1997. The Butler-Richards paper has shunned the single currency route. It said the Ecu should lose its present currency basket character and be protected by guarantees so that it could compete effectively with Europe's strongest currencies. With the Ecu setting a "standard of the best" it would then be up to individuals and businesses to determine how far the EC moved towards monetary union by their choice of the unit instead of national currencies.

Such plans might sound futuristic. But EMU has built up a strong head of steam over the past two years in a way that nobody could have anticipated. British business should at least give the present debate close study, if only because wage and salary increases averaging more than 9 per cent will be very difficult to reconcile with fixed exchange rates in a low inflation EC.

* *A Strategy for the Ecu, Kogan Page Ltd, £19.50.*

** *The Next Stage in an Evolutionary Approach to Monetary Union, available free from the British Invisible Exports Council, Windsor House, 39 King Street, London EC2 8DQ. Tel 071-600 1198.*

Peter Norman

THIS WEEK

A QUIET week for economic statistics will intensify the focus on Wednesday's annual meeting in Paris of the Organisation for Economic Co-operation and Development (OECD).

The Bush-Gorbachev summit starting on Wednesday is also set to capture market attention in this week of international dialogue.

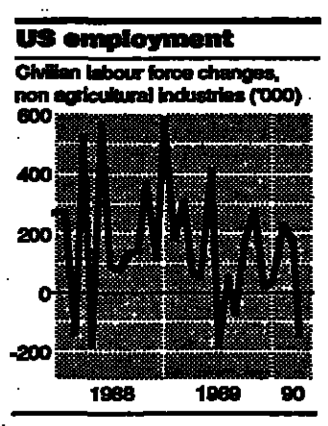
The problems surrounding the Uruguay Round of Gatt, the multilateral trade talks, are likely to be high on the OECD agenda and there are few signs of agreement between the US and European Community on the vexed issue of agricultural support.

In contrast, ministers are expected to register general satisfaction with the developments in the world economy, although they will stress the need for continued vigilance against rising inflation.

Hints on German inflation — with monetary union scheduled for July — will be given by the cost of living index for May, due out this week. The consensus of analysts' forecasts recorded by MMS International, the financial research company, is that the preliminary rate will rise 0.3 per cent on the month to an annualised rate of 2.4 per cent. This index has recently benefited from easing cost pressures as commodity prices have weakened. The Bundesbank meeting on Thursday is unlikely to provide the markets with tightening monetary conditions until after union on July 1.

There will be a signing ceremony today for the proposed European Bank of Reconstruction and Development at the Elysée Palace. Tomorrow morning there will be a breakfast at Bercy for the countries of the anti-money laundering initiative. This will review action taken so far, and consider the next stages in the campaign against the proceeds of drug smuggling entering the international banking system.

In the US, as in Europe and Japan, it is a quiet week. However, the US payroll data on Friday could highlight recession worries.



Today: UK, output-based gross domestic product, first quarter (0.4 per cent). Japan, April unemployment rate, diffusion leading index for March.

Tomorrow: Japan, Governor Mieno of the Bank of Japan holds his regular press conference, construction orders for April. US, new home sales (down 1.3 per cent) and leading indicators of April (down 0.2 per cent). Australia, first-quarter gross domestic product (down 0.8 per cent). France, consumer price index for April (year-on-year rise of 3.2 per cent, month-on-month rise of 0.4 per cent).

Thursday: West Germany, Bundesbank council fortnightly meeting. US, factory goods orders and shipments for April (2.0 per cent) agricultural prices for May, initial claims and M1 ($0.8bn), M2 ($0.9bn) and M3 ($2.7bn) for week ending May 21. Canada, GDP for March.

Friday: US, civil unemployment rate for May (up 5.4 per cent), hourly earnings (up 0.3 per cent), and construction spending for April. US, National Association of Purchasing Managers. Japan, trade balance, current account, investment in foreign bonds, and foreign exchange reserves for April.

COMPANY NEWS

National Mutual to go ahead and demutualise

By Kevin Brown in Sydney

NATIONAL Mutual Life Association, the Australian life office prevented from merging with ANZ Bank on competition grounds, is to go ahead with plans to demutualise.

Mr Eric Mayer, managing director of National Mutual, said the blocking of the merger by Mr Paul Keating, the Australian finance minister meant "an opportunity had been lost."

However, he said National Mutual would go ahead with plans to issue shares, 51 per cent of which were to have been transferred to ANZ for A$3.4bn (£1.5bn).

Mr Mayer also said National Mutual would repurchase National Mutual Royal Bank from ANZ and use it as the core of a new banking strategy which was yet to be developed.

National Mutual Royal Bank, which was jointly owned by National Mutual and Royal Bank of Canada, was sold to ANZ earlier this year as part of the merger arrangements after conditional approval from the government.

Mr Keating's decision to block the merger also cancelled the conditional approval for the sale. However, National Mutual was unable to re-acquire the bank without de-mutualising because of a parallel ruling that banks could not be owned by mutual life offices.

Analysts said National Mutual's decision to demutualise was forced by its need for capital to increase reserves following a drive to replace the AMP Society as Australia's biggest life insurer.

National Mutual would be virtually takeover-proof as a listed company because of Mr Keating's ruling that the big six financial institutions should remain independent. The Bank Shareholders Act would prevent a foreign takeover.

The decision to demutualise will leave AMP and Colonial Mutual Life as the only survivors of a once-thriving mutual life insurance sector in Australia.

National Mutual itself took over T&G in 1983, and Capita, formerly City Mutual Life, merged with MLC Life last month, pending court approval.

Villeroy & Boch sees sharp increase

By Andrew Fisher in Frankfurt

VILLEROY & Boch, the family-owned West German tableware, tile and sanitaryware company which is coming to the stock market this week with a DM407m ($242m) preference share issue, yesterday forecast a sharp rise in profits in 1990 and 1991.

Mr Rolf Behrentroth, the finance director, said net income should total around DM62m this year, a rise of 44 per cent on the 1989 level of DM43m. In 1991, he expected an increase of 27 per cent to DM79m. Last year's profit represented a 3 per cent return on turnover, which was up by 10 per cent to DM1.45bn and is forecast to reach DM1.6bn in 1990.

The issue is the largest on the West German stock market this year. The shares will be priced at DM580 each, which Mr Behrentroth said he did not think was too high in view of the business outlook. On the basis of expected earnings per share of DM25 – DM17.50 in 1989, this gives a price-earnings ratio of 23.

The subscription period is May 30 to June 1. Deutsche Bank, heading the issuing consortium, said it hoped at least 10 per cent of the new shares would be sold abroad.

Villeroy & Boch hopes to achieve a turnover of some DM2.5bn in the mid-1990s through organic growth and acquisitions. Capital spending has tripled in the past three years to around DM150m in 1989.

Mr Luitwin Gisbert von Boch-Galhau, the chief executive, said Villeroy was the market leader in all its three divisions in Germany, France, and the Benelux countries. It also intended to develop its business elsewhere in Europe, the US, and Asia, and was discussing possible cooperation in East Germany with two plants that belonged to it before the last war.

Hessische profits hit by interest rates

By Katharine Campbell in Frankfurt

HESSISCHE Landesbank (Helaba), the large West German financial institution based in the state of Hesse, yesterday reported sharply lower earnings last year, laying the blame on unfavourable domestic interest rate patterns.

Partial operating profits for 1989, at DM106m ($63m), fell 37.3 per cent short of the previous year's level, and made up barely more than half of the 1987 figure of DM 197m.

The bank has suffered worse than most from the high interest rates prevailing during 1989, when long periods of an inverse yield curve ate into the profits of its traditional banking business.

While administration costs continued to rise – up 4.6 per cent – the bank's average interest margin fell as low as 0.56 per cent, producing correspondingly lower net interest income.

At DM444m it was nearly 10 per cent below 1988.

Fee income, which however represents only a modest part of the bank's operations, grew 6 per cent to DM71m.

Mr Herbert Kazmierzak, chief executive, was keen to stress that, thanks to a widening of margins to 0.72 per cent, as well as stricter cost control, earnings had picked up in the first four months of this year, so that partial operating profits are now 48 per cent better than for the same period the previous year.

However, forcasting a 20 to 30 per cent improvement for the whole year, Mr Kazmierzak was unable to promise a return even to the 1988 level.

Meanwhile, he claimed progress in the bank's closer cooperation with the regional savings banks, now Helaba's sole shareholder since the beginning of the year, where business in areas including foriegn exchange and securities trading had looked up.

Trend continues at Mannesmann

By Andrew Fisher in Frankfurt

MANNESMANN, the West German engineering and steel company, said last year's favourable business trend continued in most sectors in the first quarter, though orders and profits in steel tubes and the Brazilian activities were down.

Turnover showed a 5 per cent rise to DM5bn ($3bn) and profits were at the same high level of a year ago. For 1989, the group has already announced a 73 per cent jump in group net profit to DM505m, with turnover 9 per cent higher at DM22.3bn.

Mannesmann said its first quarter order inflow was DM6.5bn, marginally down on the same period of 1989. Exports from Germany rose by 7 per cent to DM2bn.

The sharpest increases in turnover came in the industrial plant division – 15 per cent higher at DM1.8bn – and motor components – up 15 per cent to DM860m. But turnover in steel tubes was 11 per cent lower at DM1bn; the order inflow in this sector was down by 18 per cent, partly because of weaker demand from eastern Europe and China.

In Brazil, the impact of stringent anti-inflationary measures led to a 23 per cent slump in new orders. Turnover in Brazil was 5 per cent higher at DM272m. Profits in steel tubes and Brazilian activities were lower in the period, while industrial plant and process controls produced improved earnings. Other activities were flat.

Hachette to take La Cinq stake

By William Dawkins in Paris

HACHETTE, the leading French publishing group, yesterday won the go-ahead to take a 22 per cent stake in La Cinq, France's much disputed fifth television channel.

The deal, opening the way for Hachette's first investment in television, is part of a reshuffle of the loss-making chain's shareholders, plus an issue of new equity, given the green light by the CSA, the French broadcasting authority.

La Cinq's finances are under strain after losses of FFr2.2bn over the last three years, during which it has fought to build up a share of 13 to 15 per cent of the French audience.

It comes a few months after an agreement between Mr Silvio Berlusconi, the Italian television magnate, and Mr Robert Hersant, the former French press baron, to end a long legal dispute over who should control the station.

Yesterday's decision merely paves the way for the reorganisation, the details of which must now be settled by a La Cinq board meeting, likely within three weeks, said a spokeswoman.

It allows Mr Jean-Marc Vernes, the leading French banker and ally of Mr Hersant, to boost his stake from 10.89 per cent to 22 per cent.

The deal meanwhile provides a long-awaited exit from La Cinq for three investors, including Les Echos, the French business newspaper owned by Pearson, the UK publishing group which owns the Financial Times, and which will now sell its 3.67 per cent stake, and the Canadian-owned group Videotron, with 3.42 per cent.

Mr Jérome Seydoux, chairman of Chargeurs, the financial conglomerate, who had supported Mr Berlusconi's fight against Mr Hersant, will be selling his 7.34 per cent stake.

Carter Holt rises 41% to NZ$191m

By Terry Hall in Wellington

CARTER HOLT Harvey, the New Zealand forestry, fishing and building supplies group, reported a 41 per cent rise in net profits to NZ$191.4m (US$113.98m) from NZ$135.4m for the year to March 31, despite a flat domestic market, Mr Richard Carter, chairman, said yesterday.

The group however continued to improve domestic earnings by increasing productivity, lowering costs and seeking further economies, he said.

Turnover increased by 8 per cent to NZ$1.54bn from NZ$1.42m, with the export component registering a 10 per cent increase to NZ$377.3m from NZ$342.5m.

A strong performance and excellent cash flow from a full year's inclusion of the Caxton pulp and paper concern, compared with five months last year, helped domestic earings.

Carter Holt was interested in acquiring the distribution businesses of Fletcher Fishing, he said. Last year it acquired the 24 per cent of Sealord Products it did not already own and since the year end has bought 50 per cent of Printpac-UEB from Brierley Investments.

Pre-tax profits advanced 108 per cent to NZ$162.3m from NZ$75m.

Peace talks planned in Waterford dispute

By Kieran Cooke in Dublin.

MORE than 2,000 workers at the Irish crystal making division of the Waterford Wedgwood group yesterday voted unanimously to enter into government-sponsored negotiations aimed at ending a strike now entering its eighth week.

Unions at Waterford, a manufacturer of high quality crystalware, stopped work after management withdrew certain bonus payments to a section of piece rate workers.

Management appealed for talks but said the pay cuts must stay. The union accused management of breaking agreements and said that no talks were possible until the special payments were reinstated.

The government is believed to have proposed a compromise formula but neither side in the dispute was over-optimistic of a successful outcome to negotiations.

In the past the government has talked of "dire consequences" for Waterford if the strike continues for much longer. Management has hinted that production of crystal might be taken out of Ireland if no settlement is reached.

SA building society 31% up

By Philip Gawith

UBS Holdings, holding company for South Africa's largest building society, lifted its net income, before extraordinary items, to R196.9m in the year to the end of March, an increase of 30.7 per cent over the previous year's figure.

Assets grew by 18.9 per cent from R13.22bn to R15.72bn. The fledgling United Bank substantially increased its client base with total assets increasing by 127.5 per cent to R1.31bn.

Earnings per share increased by 30.1 per cent to 82.1 cents and the dividend was lifted 19 per cent to 32 cents per share.

Placer Dome $230m bid for Stikine Resources

By Robert Gibbens, in Montreal

PLACER DOME, North America's largest single gold producer, is bidding C$230m (£115m) for entry into the Eskay Creek field in North Western British Columbia.

Placer is offering C$67.50 a share cash or 3.5 of its own shares for each of the 3.4m shares of Vancouver-based Stikine Resources.

Stikine in turn owns half the Eskay Creek gold property near Stewart in British Columbia, where indicated reserves stand at 6.5m tonnes of ore grading an average 0.53 oz per tonne gold and 14 oz silver.

Eskay is at the centre of the biggest gold exploration rush in British Columbia for decades. Eskay and several other properties in the area are regarded as future producing mines.

Placer claims that its bid tops a complex offer from Toronto's Corona Corp that will leave Stikine shareholders with stock worth between $63 and C$70 a share in a new holding company.

● Denison Mines, once Canada's most profitable uranium producer, is suspending common share dividends indefinitely and may sell its potash mining subsidiary to reduce debt. Denison is also having problems selling energy assets it values at C$500m. Only the Canadian properties have been sold so far, for C$45m.

Eurotunnel agreement on extra funding

Eurotunnel, the Anglo-French Channel tunnel group, has achieved agreement on the first tranche of the £2.5bn of extra funding it needs

The European Investment Bank has agreed in principle to raise its long-term lending to the project from £1bn to £1.3bn.

Eurotunnel is seeking up to £2.5bn of new money on top of the £6bn which it already has.

The bulk of this will consist of up to £2bn of new bank loans

Up to £500m more will be raised from shareholders.

Eurotunnel has to get a 90 per cent approval vote from its more than 200 lending banks.

Hapag-Lloyd unchanged for year

By Andrew Fisher in Frankfurt

HAPAG-LLOYD, the West German shipping, airline and travel group, yesterday reported unchanged net profits of DM41m ($24m) for last year and said that market conditions remained difficult in 1990.

The Hamburg-based company had to contend with renewed price pressures and higher costs in its biggest division, container shipping, although business volume was higher. Total turnover rose by 5 per cent to DM3.5bn.

For 1990, Hapag-Lloyd said it expected a satisfactory result. But Mr Hans Jakob Kruse, the chief executive, forecast another small loss in liner shipping, especially with the weaker dollar. The air traffic market would also be tough, with prices tending to fall.

Since the group slid deeply into the red in the early 1980s and was saved by capital injections from its banks, its results have fluctuated sharply. In 1985, it reported a net profit of DM100m, which was virtually halved the following year.

A recovery in 1987 to DM71m was followed by a slide to DM41m, mainly as the result of extra depreciation made for tax purposes.

Most of the company's shares are now owned by corporate shareholders, including Veba, the energy concern, Lufthansa, and the Kaufhof store group. Hapag-Lloyd is again paying a DM8 dividend.

Myllykoski purchases two German paper mills

By Enrique Tessieri in Helsinki

MYLLYKOSKI, a Finnish paper group, has signed a letter of intent to purchase two West German paper mills, Albbruck and Mochenwangen, from the Swiss company Holzstoff Holding.

According to Myllykoski, the acquisition of the two paper mills in Germany is expected to strengthen the Finnish paper group's position within an increasingly competitive Western European paper market.

Myllykoski, which is owned by the wealthy Björnberg family, stated that the purchase will generate FM1.6bn in turnover from their German operations alone.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Avonmore Foods (Section: Foods)

Fleming European Fledgeling Inv. Tst. (Investment Trusts)

Do. Warrants (Investment Trusts)

Spargos Mining (Mines/Australian)

Trust of Property Warrants (Property)

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Svenska Cellulosa, Tunstall, Westland, Young (H).

Finals- Brewmaker, Centreway Trust, City of London PR, Hartwell, Mercury Asset Management, Ritz Design, Rolfe & Nolan, Computer Services, Siebe, Southwest, Warburg

FUTURE DATES

Interims-

Chemring	June 18
Dwyer	June 8
Midland Radio	June 11
Sleepy Kids	May 3
Speyhawk	May 30

Finals-

Estates & Agency	May 31
Harrison Industries	June 12
New Throgmorton Tst 1983	June 7
Sketchley	June 4
Watergiade	June 28
Waverley Mining Finance	June 11

BASE LENDING RATES

	%
ABN Bank	15
Adam & Company	15
Allied Trust Bank	15
Allied Irish Bank	15
● Henry Ansbacher	15
Associates Cap Corp	15½
● B & C Merchant Bank	15
Bank of Baroda	15
Banco Bilbao Vizcaya	15
Bank Credit & Comm	15
Bank of Cyprus	15
Bank of Ireland	15
Bank of India	15
Bank of Scotland	15
Banque Belge Ltd	15
Barclays Bank	15
Benchmark Bank PLC	15
Brit Bk of Mid East	15
● Brown Shipley	15
CL Bank Nederland	15
● Charterhouse Bank	15
Citibank NA	15
City Merchants Bank	15
Clydesdale Bank	15
Comm. Bk. N. East	15
Co-operative Bank	*16
Coutts & Co	15
Cyprus Popular Bk	15
Dunbar Bank PLC	15
Duncan Lawrie	15
Equatorial Bank plc	15
Exeter Trust Ltd	15½
Financial & Gen. Bank	15
First National Bank Plc.	16½
● Robert Fleming & Co.	15
Robert Fraser & Ptnrs.	15½
Girobank	15
● Guinness Mahon	15
HFC Bank plc	15
● Hambros Bank	15
Hampshire Trust Plc	15½
Heritable & Gen Inv Bnk.	15
● Hill Samuel	§15
C. Hoare & Co.	15
Hongkong & Shangh	15
● Leopold Joseph & Sons	15
Lloyds Bank	15
McDonnell Douglas Bnk	15
Meghraj Bank Ltd	15
Midland Bank	15
Mount Banking	15
Nat Bk. of Kuwait	15
NatWestminster	15
Northern Bank Ltd	15
Nykredit Mortgage Bank	15½
Provincial Bank PLC	16
R. Raphael & Sons	15
Roxburghe G'rantee	15½
Royal Bk of Scotland	15
Royal Trust Bank	15
● Smith & Williamson Secs.	15
Standard Chartered	15
TSB	15
Unibank Plc	15
● United Bk of Kuwait	15
United Mizrahi Bank	15
Unity Trust Bank Plc	15
Western Trust	15
Westpac Bank Corp.	15
Whiteaway Laidlaw	15½
Yorkshire Bank	15

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FINANCIAL TIMES STOCK INDICES

	May 25	May 24	May 23	May 22	May 21	May 18	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs.	78.25	78.36	78.56	79.23	79.23	78.74	84.20	74.13	127.4	49.18
Fixed Interest	87.08	87.29	87.25	87.42	87.45	87.27	92.91	83.80	105.4	50.53
Ordinary	1800.0	1805.2	1810.0	1829.5	1810.8	1793.3	1968.3	1653.6	2008.6	49.4
Gold Mines	211.2	209.7	211.5	211.6	212.6	207.1	378.5	207.1	734.7	43.5
FT-Act All Share	1120.03	1124.61	1129.04	1137.50	1122.64	1117.16	1226.83	1043.16	1238.57	61.92
FT-SE 100	2265.6	2277.1	2287.4	2311.3	2282.1	2269.1	2463.7	2103.4	2463.7	986.9

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LENDING

Turkey to raise loan from foreign banks

TURKEY is raising its first medium-term loan from international banks in several years.

The loan has been underwritten by J.P. Morgan and four other banks – Bank of Tokyo, Credit Lyonnais, Dresdner Bank Luxembourg and Saudi International Bank. Terms of the loan, to be split about equally between a four and a five-year maturity, have not yet been disclosed. But it is said to carry an all yield – over interbank rates – of slightly more than 1 percentage point for the five-year portion and just under that for the shorter maturity.

This is thought not to have been the cheapest offer from the borrower's point of view. But the Government appears to have decided to pay more to secure a good reception rather than risk jeopardising an orderly market return by seeking too aggressive terms.

Morgan is also arranging with Bank of Tokyo, Industrial Bank of Japan and Commerzbank, a $400m eight-year credit for Indonesia. The credit, which carries a five-year grace period before principal repayments are due, carries an aggressive ½ percentage point interest margin, with a ¼ per cent commitment fee on any undrawn funds.

Five banks, led by Banco Totta & Acores, are underwriting a five-year term loan for Quimigal, the Portuguese state petrochemicals concern. This credit, split into Ecu71.05m and SFr30.22m, is to refinance maturing bond issues. It will carry a 20 basis point interest margin (0.2 percentage points).

Though the loan carries a letter of comfort from the republic and an undertaking that at least 51 per cent of the company will remain state owned, it will not be treated as a sovereign loan for bank capital purposes and so carries a 100 per cent risk weighting under the Basle accords. This is meant to avoid discrimination in favour of state-owned industrial companies over those in the private sector.

New Zealand borrowers appear to be emerging at last from the fall-out over the DFC affair. A $200m loan for Electricity Corporation of New Zealand, with a 35 basis point margin, was 80 per cent oversubscribed. Some 27.5 per cent of the participation was from Japanese banks, those most upset by the New Zealand Government's decision not to assume responsibility for the failed DFC group.

In the UK, the Leeds Permanent Building Society is seeking $300m in a five-year revolving credit. It carries a commitment fee of 8½ basis points and a margin of 18.75 basis points.

Chase Investment Bank disclosed pricing on a previously announced $600m acquisition financing for the ECC Group. The three-year financing is split between a $350m term loan and a $250m revolving credit. It carries a margin of 20 basis points and a commitment fee of 7½ basis points.

Credit Suisse First Boston launched into syndication for Great Western Bank, the Los Angeles-based savings and loan institution with assets of $36bn, a three-year committed standby credit of $350m with an uncommitted facility of a further $175m. The credit will carry a commitment fee of 15 basis points and a margin of 25 basis points with a 7½ basis point utilisation fee if more than half drawn. Front-end fees range down from 7 basis points for a $50m commitment.

Great Western is one of the few savings and loan institutions to boast an investment grade credit rating from the two main rating agencies. It carries an A rating from Standard and Poor's and an A3 rating from Moodys. But to raise the funds to refinance a facility which matures this year, it is having to pay banks more.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	294.9	40.0	154.8	13,621.8
Prev	337.0	0.0	1,037.8	14,673.5
Other	1,627.3	9.0	678.5	6,746.6
Prev	2,045.0	0.0	285.3	3,952.2
Secondary Market				
US$	18,060.1	953.8	6,637.6	8,635.8
Prev	25,516.9	702.5	7,451.5	9,646.5
Other	19,336.5	1,704.9	3,748.0	44,744.3
Prev	18,808.2	732.7	4,999.2	51,716.8

	Cedel	Euroclear	Total
US$	19,440.7	29,958.2	48,398.9
Prev	16,161.4	33,203.5	49,364.9
Other	31,180.7	48,014.4	79,195.1
Prev	34,775.9	47,763.5	82,539.4

Week to May 24, 1990 Source: AIBD

INTERNATIONAL EQUITY ISSUES

A battered market shows signs of recovery

THE MARKET for international equity issues has been hit hard this year by the volatility that has dominated stock markets around the world – particularly in Japan. Companies are spurred on to issue new equity when their stock prices are buoyant on the home market and have been put off this year by the uncertainty that has dominated equities.

There are signs however, that the market is reviving. The issue of 4m B shares last week for Atlas Copco, the Swedish heavy machinery maker, placed a portion of the £125m-worth of shares in the US under newly liberalised private placement rules. The private market created by the Securities and Exchange Commission's rule 144a changes will allow medium-sized companies much greater access to US pools of capital since they will not have to go through the SEC's onerous registration requirements.

Atlas Copco was the latest in a steady flow of Scandinavian companies to tap the international market to try to pay down debt on acquisitions and to raise funds for future bids. Kvaerner, the Norwegian mechanical engineering group, raised NKr1bn and Huhtemaki, a Finnish confectionery and pharmaceuticals company, is considering an offer.

While the international equity market has been extremely quiet in the first several months of the year, there have been pockets of activity. Mr Ludovico del Balzo, managing director of the equity capital group at Shearson Lehman, says he has seen several medium-sized US companies issuing shares in the international market. These companies have been leveraged in the 1980s and are more prepared to issue equity at prevailing prices which companies elsewhere may find too low.

The pricing and size of international equity issues are still determined by conditions in the companies' domestic market. In fact, Mr Michael Watson, executive director of equity new issues at Daiwa Securities, said he was still debating whether there is a global equity market or many domestic markets working together and becoming more international in their outlook. "I suspect it's the latter," he said.

Rising domestic stock markets will prompt more international issues. In Europe, French companies are currently showing the most interest in international offerings because their stock market has been buoyant. The issue of equity in UAP, the French insurance company, at the beginning of the year could start a rush of insurance companies and banks to the market. This was prompted by a change in the law which allows the French Government to reduce its stake in financial institutions in which it has a majority share.

But new international equity issues have been hit by the withdrawal of Japanese investors from the international scene. As stock prices have been buffetted in Tokyo, the once ubiquitous Japanese investors have lost their appetite for foreign holdings and have bailed out as quickly as they piled in. Nowhere has this been more clearly manifested than in the plummeting premiums on single country funds which the Japanese had flocked to in a bid to diversify into Europe.

Country funds have been a way for international investors to gain exposure to some of the world's fastest growing stock markets without going through the rigours of share-picking. However, the more sophisticated investor is increasingly looking to buy international stock more directly.

Four stock issues for Indonesian companies have received an enthusiastic welcome, in spite of the difficult market conditions at the beginning of the year. An initial public offering for PT Astra, an Indonesian conglomerate, part of which was placed internationally, was 26 times oversubscribed last month. Indonesia is trying to improve liquidity and settlement in its local stock market and this is attracting foreign investors to some of its high-growth companies.

Local trading conditions can be a drawback to investors wanting exposure to some of the world's less-developed stock markets, but stocks with a strong story behind them, an international aspect or strong export earnings sell well to many institutional investors.

The story behind the single European market in the run-up to 1992 and German unification is what made Japanese investors such passionate buyers of European equities and country funds late last year. Japanese buyers are still interested in these type of issues even though they have drawn in their horns for the time being. In today's chastened market they are looking to distinguish more closely between companies and are eager for the sort of keen pricing that reflects current market conditions.

One of the developments in the Japanese market that should allow smaller foreign companies access to Japanese investors is the creation of a public offering without a listing which was pioneered by Daiwa in preparation for the UK water privatisation. This market, in common with the 144a arena in the US, means companies can issue stock without going through the stringent listing requirements.

Since the Powl concept has been in place, four issues have been made. Coastal Corp, a US oil explorer raised $86m with a Powl and the UK water companies placed stock worth $330m. These were followed last December by a Fl 189m offering for Polygram, the record company which is majority owned by the Netherlands' Phillips, and a £70m placement for Maxwell communications.

The return of stability to the Japanese market is a prerequisite for more of these offerings being made and several companies have shown an interest in the concept. In fact, a calmer mood in Tokyo – which now appears to be prevailing – holds the key for the recovery in the market for new international equity issues.

The market for international equity issues reached a value of $14.9bn last year, according to the Bank of England, which showed a recovery from the depressed market levels which followed the 1987 crash. But new issue activity in the second half will have to be brisk if this year is to match or overtake that level.

Deborah Hargreaves

FT plans new daily Eurobond prices table

By Andrew Freeman

TOMORROW the Financial Times starts daily publication of Eurobond prices, provided by the Association of International Bond Dealers, the trade association and self-regulatory body for the Eurobond secondary market. The service will allow readers to follow daily up to 200 bond issues, while the existing weekly table will continue to provide prices for around 500 issues.

The new table is based on prices derived from the AIBD's Trax system. Trax is an electronic, on-line trade matching and reporting system. UK-based members and all AIBD reporting dealers use it to check that both parties agree on a transaction's details.

All trades must be entered into the system within 30 minutes to satisfy UK reporting requirements under the Financial Services Act. The data is collated by the AIBD and sent to the Financial Times after each day's trading. Trax prices are the nearest equivalent to on-line information on Eurobonds and should provide investors with the most accurate indication of secondary market values available.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Ex-Im Bank of Japan◆	200	2000	10	9½	101½	IBJ Int.	9.264
Fiat Finance & Trade(c)◆	45	1991	1	15	101.30	Chase Investment Bank	13.524
Standard Credit Card Trust◆	1.25bn	1995	5	9⅜	99.66	Salomon Brothers	9.463
Stand. Credit Card Trust(j)◆	155	1995	5	9⅝	99.47	Salomon Brothers	9.764
CANADIAN DOLLARS							
General Electric Cap.Corp.◆	100	1992	2	13	101½	Bankers Trust Int.	12.111
Bell Canada◆	125	2000	10	12⅜	99.80	UBS Phillips & Drew	12.411
AUSTRALIAN DOLLARS							
Ford Credit Australia◆	75	1994	4	15¼	102	Hambros Bank	14.556
Queensland Treas.Corp.(g)◆	100	1993	3	12	93.416	S.G. Warburg Secs.	-
SWISS FRANCS							
Oest. Kontrollbank(b)◆	150	2005	-	7¼	101	SBC	7.139
EIB◆	200	2000	-	7¼	102	UBS	6.966
Caisse Cen.de Coop.Ec.(e)◆	150	2005	-	7¼	101¼	UBS	7.057
STERLING							
Ford Capital◆	150	1997	7	13⅜	100	J.P. Morgan Secs.	13.375
ECUs							
EIB(a)◆	125	1997	6⅓	10	98⅛	Nikko Secs. (Europe)	10.394
FRENCH FRANCS							
Interfinance Cr.National(d)◆	500	1993	3	10¼	101⅜	CCF	9.700
Credit Comm. de France◆	750	1996	6	10¼	101¾	CCF	9.850
GUILDERS							
Unilever NV◆	500	2000	10	9	100.30	Amro Bank	8.953
LIRE							
Commerzbank Overseas◆	150bn	1994	4	12⅝	101.40	Banco di Roma	12.183
SWEDISH KRONOR							
Swedish Export Credit◆	300	1993	3	13⅝	101.20	Skand. Enskilda Banken	13.116
FINNISH MARKKA							
Rautaruukki Oy◆	200	1995	5	13½	101⅞	Postipankki	12.967
Postipankki◆	500	2000	10⅓	12.55	102	Postipankki	12.171
LUXEMBOURG FRANCS							
Compagnie Bancaire★★◆	600	1995	4⅔	9⅞	101⅞	Banque Paribas (Lux)	9.334
YEN							
World Bank◆	30bn	1997	7	6⅞	101⅛	LTCB Int.	6.823
Tokyo Tatemono◆	20bn	1997	7	7	100⅝	Daiwa Europe	6.884
CIBC(h)◆	3.5bn	1991	1	11¼	101⅛	New Japan Secs.	10.012
SGA-Soc.Gen.Acc.(f)◆	17.5bn	1992	2¼	(f)	101⅛	Bankers Trust Int.	-
Toronto-Dom.(Cayman)(f)◆	10bn	1992	2¼	(f)	101⅛	Bankers Trust Int.	-
BNP(i)◆	14bn	1992	2	8	101⅛	Nippon Credit Int.	7.375
San Paolo Bank◆	10bn	1993	3	7.3	101⅜	Fuji Int. Finance	6.778
Finance for Danish Ind.◆	7bn	1993	3	7	101⅛	Nomura Int.	6.575
LKB Baden-Wuerttemberg◆	10bn	1995	5	6.9	101¼	New Japan Secs.	6.711

★★Private placement. ‡Floating rate notes. §Convertible. ◆Final terms. a) Fungible with Ecu1bn bond from August 15. b) Call after 10 years at 101½ declining ½% p.a. c) Dual-currency bond. Borrower option to redeem in Lire at L1213. d) Fungible with existing FFr500m bond. e) Call after 10 years at 101 declining ½% p.a. f) Coupon pays yen Libor flat first three months, 8% fixed thereafter. Redemption linked to Nikkei stock index. g) Issue price plus accrued interest. h) Redemption Nikkei stock index linked. i) Redemption linked to Nikkei stock index. Unlisted. j) Unlisted. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Prices hit the downward slope again

US TREASURIES received help from some unexpected quarters last week but the long-term health of the market looks fragile in view of what appears to be an emerging fiscal crisis in Washington and signs that the dollar is starting to look more vulnerable.

Prices generally moved higher in the early part of the week, profiting from a number of different developments in other financial and commodity markets. There was some flight to quality to the Treasury market from Canada where the Government was deadlocked over a dispute with Quebec which wants to be recognised as a distinct society. Canadian government bonds dropped by as much as two points on one session last week.

Another boost was given to Treasuries by a wave of foreign buying which appeared to coincide with a sharp sell-off of gold by Middle Eastern investors. Quite a few basis points were also clawed back after a Chicago newspaper report which said federal investigators had found \$50m in unused appropriations which could be used to cut the budget deficit.

Although the Administration put out a statement emphasising that this was an accounting freak rather than the discovery of some much-needed cash, the Treasury market still kept on rising.

By the end of the week, however, prices were once again on a downward slope. Ostensibly the reason for this was that the Treasury's \$8.5bn five-year note auction went badly but there are deeper potential problems afoot.

In the overnight session in Tokyo on Friday, the dollar slumped below Y150 for the first time since March 6. One of the main underpinnings for the Treasury market in the first few months of the year was weakness in Japan's capital markets and a steep fall in the value of the yen but now Japan's stock and bond markets have started to rally and the Japanese currency is gaining favour again.

What happens in Japan is very important for the Treasury market because the US fiscal position is beginning to look extremely worrisome. The sharp sell-off in Treasury bonds after the five-year auction proved disappointing and shows how vulnerable this market is to concerns about increased supply.

The kind of budgetary deadlock in Congress which was so familiar in the last few years of the 1980s could start to put serious pressure on the dollar, and bond prices, which are already suffering, could be pinned down for months by a heavy schedule of new issues related to financing the bail-out of the thrift industry but also perhaps to keep pace with a deterioration in the core budget position.

Mr Nicholas Brady, US Treasury Secretary, told Congress last week that the cost of the bail-out of the thrift industry was soaring and estimated that the rescue could now total \$130bn, considerably higher than previous official estimates – although still not as high as many other forecasts from outside the Administration.

The Administration said last week that, when the funding authority of the Resolution Funding Corp (Refcorp) runs out – which is estimated to be next April if the same schedule for Refcorp bond issues seen so far is maintained – the Treasury will continue to finance the bail-out from general funds.

On top of the staggering costs of saving thrifts, it appears that there are adverse trends in both the Government's expenditures and receipts. Mr David Hale, chief economist at Kemper Financial Services in Chicago, noted that because of weak profits and the dramatic growth of leverage in the 1980s, corporate tax payments were weak and total receipts were growing at only a 4 per cent annual rate.

At the same time, he estimated, the Treasury would have to raise an additional \$30bn to \$40bn for Resolution Trust. Overall, analysts are revising up their estimates for the fiscal 1990 deficit from a consensus range of between \$140bn and \$150bn to a range between \$180bn and \$200bn.

Fiscal problems could not come at a worse time. Firstly, the US dollar could be vulnerable. The US Federal Reserve would be constrained from raising interest rates because of the fear that this could tip the economy into recession – according to last week's GNP revisions, distorted downwards as they were by inventories, of only 1.3 per cent.

Secondly, higher interest rates would only exacerbate the fiscal position, boosting the Administration's interest bills.

Thirdly, when the nation's funding needs are so substantial, the willingness of Japanese investors to pour money into the US and finance the deficit is of concern. After the rout on Japanese capital markets in the first quarter, they may be far more cautious about investing overseas, including in the US, and start to syphon some of their funds back into the domestic market.

With recent economic statistics generally pointing to continued sluggishness in the economy, but with the overall picture not being dramatic enough to persuade the Fed either to ease or tighten on purely domestic economic grounds, all eyes have turned to budget developments in Washington.

This week, attention may return to economic indicators because May's employment statistics are released on Friday. The market is expecting a substantial jump in the non-farm payroll, partly because of the addition of thousands of US census-takers. May's employment release is of even more significance than usual because of the surprising weakness of employment in April. Traders will be watching for any big revisions to April's report.

Before the employment report, however, the market will have to absorb the now-usual \$16.8bn of three-month and six-month bills, two cash management bill auctions of \$6bn each and a \$10bn auction of one-year bills on Thursday.

Janet Bush

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.31	8.19	8.19	9.92	8.00
Three-month Treasury bills	7.99	7.99	8.02	9.11	7.20
Six-month Treasury bills	8.16	8.14	8.34	9.37	7.18
Three-month prime CDs	8.27	8.36	8.80	10.35	8.18
30-day Commercial Paper	8.10	8.18	8.30	9.95	8.05
90-day Commercial Paper	8.10	8.15	8.37	10.05	8.15

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	98[illegible]	+[illegible]	8.70	8.77	9.05
20-year Treasury	105[illegible]	+[illegible]	8.77	8.79	9.13
30-year Treasury	100[illegible]	+[illegible]	8.66	8.69	9.02

Money supply: In the week ended May 14, M1 fell \$3.2bn to \$802.9bn \$802.9bn

NRI TOKYO BOND INDEX

December 1983 = 100	24/5/90 (Performance index)	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	145.60	7.00	145.28	143.13	147.81
Government Bonds	143.66	6.78	143.16	141.22	147.78
Municipal Bonds	147.52	7.07	147.35	144.71	149.24
Govt.-guaranteed Bonds	149.63	7.15	149.31	146.93	150.45
Bank Debentures	142.69	7.13	142.39	139.39	141.92
Corporate Bonds	147.43	7.41	147.16	146.70	150.95
Yen-denom. Foreign Bonds	153.12	7.62	152.86	151.91	155.61
Government 10-year†	6.55		6.57	6.76	5.44

† Estimated par yield

Source: Nomura Research Institute

Avery, Dennison merger

AVERY International, the US-based worldwide manufacturer of self-adhesive base materials, labels, tapes, office products and specialty chemical adhesives, will merge with Dennison Manufacturing Company, a diversified company which makes stationery supplies, writes Karen Zagor.

The stock-swap transaction is valued at about \$500m.

The new company, Avery Dennison Corporation, will have annual revenues of \$2.5bn.

Dennison shareholders will receive 1.12 shares of Avery common stock in a tax-free exchange of shares.

UK GILTS

Uncertainties and tricky trading

DESPITE a considerable recovery over the past month, the gilts market has yet to decide if its glass if half full or half empty.

Last week, it relinquished much of its most recent gain, after the release of poor trade figures on Wednesday. The uncertainties which plagued the market for most of the year about the course of the economy proved stronger than hopes of entry to the exchange rate mechanism of the European Monetary System.

The market finished a point lower on the week, with the benchmark Treasury 11¾ per cent 2003-07, closing on Friday at 99[illegible] to yield 11.8 per cent.

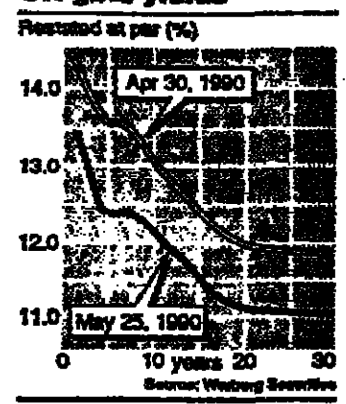
Traders will today seek to make sense of a jumpy four weeks. Hopes of a recovery based on the ERM combined with real and reported retail buying of gilts have buoyed the market, while successive data releases have taken it lower. But the lack of liquidity and shortage of stock made for tricky trading conditions.

The domestic economy continues to provide the market with its biggest worry. Last week's trade figures for April showed evidence of renewed import acceleration. Manufacturing output also rose more strongly than expected in the month, and growth in M0 of 7.3 per cent was outside the Treasury's target of 1 to 5 per cent.

Sterling was barely touched by the bad news, but the gilts market is still concerned that the impact of two years of tightening monetary policy is not bringing inflation down as rapidly as hoped.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

Some of the pound's current strength derives from the level of base rates, which at 15 per cent provide a cushion against inflation. The Bank of England has, through its activities in the money market, indicated that base rates must stay high for the time being. But there is a suspicion that the Treasury would like to see base rates lower by the end of the year. Even the current level of rates seems inadequate to bring about the monetary squeeze which the gilts market hoped would put pressure on domestic demand.

Mr Peter Spencer of Shearson Lehman Hutton warned: "High rates of inflation, though depressing real income growth, have blunted the impact of high interest rates. The squeeze is now drawing to a close as earnings respond to a higher rate of inflation." Net equity in the housing market remained very high, he said, helping to shield consumers from the impact of high nominal interest rates, as inflation has cut the real burden of debt.

Mr John Shepperd of Warburg Securities said: "If it weren't for the currency, the gilts market would be a lot weaker." Domestic institutions still doubt how much value there is in the market, he said, but fear that the overseas investor will look more kindly on UK securities. Nobody wishes to be caught out in a bear squeeze and this, combined with the lack of liquidity in the market, created foundations for May's recovery.

Sterling is thus pivotal to underpinning the market's current level. Most analysts at the end of last week were forecasting continuing strength in the pound for the near term. But few were sure this could be assured as the year progressed.

The rise in the pound will also underpin monetary policy and put pressure on corporate profit margins which, as the Bank of England pointed out this month, is important to solving the inflation problem.

But with sterling at 89.1 on its trade weighted index, it still has a long way to go to retrace the precipitous decline of last year. The belief that full entry to the EMS may be imminent is, therefore, very helpful both to the monetary authorities and to the gilts market in the short term. But the gilts market also fears that EMS may allow a relaxation of the credit stance before it is warranted by a decline in underlying inflation. This would undercut any further gilts recovery, particularly if monetary conditions overseas are tightening.

Sterling and the UK bond market may have to face considerable challenges from overseas before they reach the safe haven of the EMS.

"All the inflation warning lights are still flashing red in Japan and there is still a possibility of a rate rise in Germany." James Capel warns in its latest bond and currency review that the US economy may also require the Federal Reserve to push interest rates higher. This would mean the last month's reduction in UK gilt yields and a flattening of the yield curve may have to be partially reversed before the market can enjoy a fully fledged recovery.

The balance between supply and demand in the market is unlikely to be restored by any early issuance of fresh stock. The Bank of England is thought to have been a net seller of stock in the past month for market management purposes. With the market still unsure, most analysts now believe it is unlikely that large-scale issuance will take place in the near future. But the arithmetic of government funding will continue to be a drag on the market as the public sector debt repayment declines.

Andrew Marshall

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8¾ 93	150	98¾	+¼	9.59
ABN 9¾ 94	200	98¾	+¼	9.48
AETNA LIFE & CAS 7¼ 16	200	95⅞	+¼	8.16
AHFC O/S FIN 11¼ 94	100	100¼	0	11.45
ALBERTA PROVINCE 7¾ 91	750	97⅞	0	9.22
ALBERTA PROVINCE 9¼ 95	600	99⅞	0	9.38
ALCOA AUSTRALIA 11 92	85	100⅞	+¼	10.69
[illegible]				
OSAKA PREFECTURE 9¼ 93	140	100⅞	+¼	9.21
OSTER KONTROLLBANK 8½ 93	200	97⅞	+¼	9.20
OSTER KONTROLLBANK 9¼ 92	200	99¼	+¼	9.19
PACIFIC GAS & ELEC 12 00	75	107¾	+¼	10.71
PEPSICO 7¾ 93	200	94¼	+¼	9.64
PEPSICO CAPITAL 8¾ 91	100	98¾	0	9.75
PETRO-CANADA 7¾ 96	200	89⅞	+¼	9.55
PHILIP MORRIS 9¾ 98	200	98¾	+¼	10.17
PROCTER & GAMBLE 10 95	150	100¾	+¼	9.79
PRUDENTIAL FUNDING 7¾ 91	150	98¾	0	9.37
PRUDENTIAL RLTY SECS 0 99	365	45¾	+¼	9.58
QANTAS AIRWAYS 8¾ 96	97	95¾	+¼	9.72
QUEBEC HYDRO 9¾ 98	150	99¾	–¼	9.78
QUEBEC PROV 9 98	200	96	–¼	9.74
QUEBEC PROV 13 90	150	101½	+¼	8.98
QUEENSLAND GOVT 10¼ 95	100	102¾	+¼	9.69
RALSTON PURINA 11¾ 95	150	104¾	+¼	10.53
REYNOLDS (RJ) 10¾ 93	100	89	+¼	14.41
ROCKWELL INT 9¾ 90	200	99¾	0	10.19
SAINSBURY 9¼ 96	150	97¾	+¼	7.68
SARA LEE 9¼ 93	150	98⅞	+¼	9.76
SAS 10¼ 95	150	100¼	0	9.97
SASKATCHEWAN 8¾ 92	150	99¾	0	9.63
SASKATCHEWAN 15 92	150	110¼	+¼	9.60
[illegible]				

	Issued	Bid price	Chg on week	Yield
TOYO TST & BANKING 1¼ 02	100	71¾	+1¼	4.27
UTD BISCUITS 5¼ 03 PREF £	110	109¾	+1¾	–1.05

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALLIED-SIGNAL 6¼ 93	20.0bn	97¼	+¼	7.96
AUSTRIA 6¾ 94	30.0bn	93¾	+¼	6.81
AVCO CAPITAL 6¼ 92	20.0bn	95	0	10.33
[illegible]				

CONVERTIBLE BONDS				
[illegible]				
EASTMAN KODAK 6¼ 01	300	94¼	+1	15.69
GOODYEAR TIRE 6¾ 03	150	77⅞	–½	79.33
GRACE (WR) 6¼ 02	150	84¾	–¼	27.12
GRAND MET 6¼ 02 £	100	97	+1¼	5.90
HAWLEY 6 02 PREF	400	108	+1½	8.57
HILLSDOWN 4½ 02 £	150	96¼	+¼	61.64
INTL PAPER 5¼ 02	200	88¾	–½	18.95
KYOWA BANK 1¼ 02	100	102¾	+5¾	3.37
LAND SECS 6¼ 02 £	84	80½	+1¾	11.31
METAL BOX 5¼ 02 £	66	104	+8	–5.77
MITSUBISHI BK 1¼ 02	300	94	+5¼	1.96
OGDEN 6 02	85	84¼	+¼	34.38
PIONEER CONCRETE 9½ 98 A$	175	69⅞	+¼	15.63
SAITAMA BANK 1¼ 02	100	90¼	+2¼	10.01
TEXAS INSTRUMENTS 2¾ 02	300	77¼	+¼	48.03
THORN EMI 5¼ 04 £	103	103¼	+2	5.32

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
[illegible]				
TOYO SASH	27/04/93	35¾	+1¼	8.89
TOYOTA MOTOR	15/07/92	39¾	+1¾	3.13
UNY	17/06/91	38¼	0	5.86
YAMANOUCHI PHARM	30/06/92	14¾	+1	32.11

BOND WARRANTS	Expiry Date	Bid price	Chg on week	Yield
AEGON 9 92	24/09/92	5	0	8.71
CREDIT FONCIER 10¼ 98	07/03/93	150	0	9.83
GMAC 8¼ 95 B	11/02/91	3	+1	8.65
HEINZ 7½ 96	01/10/90	1	0	7.47
MCDONALDS B 10 93	01/01/93	13	+3	9.38
SAS 9¼ 03	03/06/91	15	0	9.05

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on MAY 25

INTERNATIONAL COMPANIES AND FINANCE

Tough year for Tokyo's bankers

By Stefan Wagstyl in Tokyo

TOP JAPANESE banks yesterday posted big declines in annual profits, due to the impact of a rise in interest rates and of competition triggered by financial deregulation.

These effects were compounded by new provisions for Third World debt and by the plunge in Japanese stock and bond markets, which curtailed the banks' ability to boost operating profits by selling securities.

The 12 city (commercial) banks, plus the Bank of Tokyo, reported an overall decline of 0.8 per cent in operating profits and a 19.9 per cent fall in unconsolidated pre-tax profits for the year to end-March. Net after-tax profit fell 11.6 per cent. Revenues were 38.8 per cent higher, a reflection of the way in which banks' expanded their assets over the year, despite the dearth of profits.

The extent of the squeeze on lending margins was revealed by Mitsubishi Bank, which said its average spread on domestic interest-earning assets fell 0.28 percentage points to 0.55 per cent.

Sumitomo Bank singled out the effects of developing country debt write-downs for comment, stating the results reflected the cost of taking part in the debt-relief scheme for Mexico based on the Brady plan.

The banks do not expect a quick recovery in profits in the current year. They said that as well as being squeezed by increased competition, profits would again be hit by provisions for Third World debts. These could not be offset as easily as before by sales of securities due to the weakness of the Japanese stock market.

Sumitomo Bank and Sanwa Bank, which both have their origins in Osaka, gained ground on other leading banks, which are all based in Tokyo. Sumitomo retained the top spot in operating pre-tax and net profits.

Sanwa Bank came second in operating and pre-tax profits. Sumitomo also toppled the Bank of Tokyo, the specialist foreign exchange bank, from its perch as the number one revenue-earner from international operations.

TOP 13 JAPANESE BANK RESULTS TO MARCH 1990 (Ybn)

Company	Op profit	% change	Pre-tax	% change	Net	% change	Intl. revs	% change
DKB	170.1	-1.2	295.5	-23.7	155.6	-13.4	81.3	17.6
Sumitomo	276.0	14.4	352.6	-15.4	174.5	-12.0	165.2	42.0
Fuji	189.7	10.5	296.9	-24.6	147.1	-14.4	82.3	106.8
Mitsubishi	162.9	-28.2	270.9	-23.8	149.8	-10.5	75.8	-7.1
Sanwa	242.9	51.4	319.7	-2.6	148.1	-4.7	126.5	87.3
Tokai	11.4	-86.3	103.6	-26.9	54.0	-10.2	45.2	20.3
Mitsui	60.1	14.1	126.9	-26.9	64.9	-18.2	67.9	157.7
Taiyo Kobe	72.2	-12.3	89.7	-22.9	50.9	-5.0	32.4	17.6
Daiwa	84.3	-2.4	61.9	-30.1	33.0	-15.5	20.3	3.1
Kyowa	74.2	-0.5	62.8	-20.1	31.5	-12.7	24.0	15.4
Saitama	54.6	16.8	50.5	-33.0	25.8	-11.0	16.2	184.3
Takugin	34.2	-14.5	44.8	1.4	16.8	-10.3	12.3	-17.9
Tokyo	74.0	-7.2	89.7	-12.3	50.9	-14.1	140.1	-2.2
Total	1,506.8	-0.8	2,164.8	-19.9	1,103.1	-11.6	889.8	32.7

Shipping lines predict modest growth

By Robert Thomson

JAPAN'S shipping lines reported significantly higher profits for the year to end March, but have more modest expectations of profit growth this year as the need to replace vessels becomes pressing and the growth in demand for some services slows.

Nippon Yusen, Japan's largest line, reported a 34 per cent increase in pre-tax profit to Y16.2bn ($10.6m), as sales rose 12.2 per cent to Y476.8bn. The company said tramp and liner demand was strong, while North American operations were expected to break even this year after reporting successive losses.

Capital spending by Nippon Yusen is scheduled to rise from Y110bn last year to Y170bn, while pre-tax profit is expected to increase by four per cent to Y17bn this year. A non-operating surplus of Y900m was reported, partly due to sales of securities.

An analyst at S. G. Warburg Securities said that the leading shipping lines had improved their returns through heavy selling of securities in the past year, while in one case, three vessels were sold to an affiliate at well above market prices. While the industry-wide recovery prompted a return to dividends for some companies, operating costs rose by about 16 per cent across the industry due to rises in fuel prices and chartering charges.

Mitsui O.S.K, the second largest shipping line, reported a 176 per cent increase in pre-tax profit to Y15.5bn, as sales rose 16 per cent to Y411.51bn. The company said increasing international demand had pushed profits higher.

For this year, Mitsui expects a 3 per cent increase in pre-tax profit, while sales are expected to rise to around Y450bn. The company will pay a dividend of Y4 per share, its first in four years.

Kawasaki Kisen reported a 191.6 per cent rise in pre-tax profit to Y5.18bn, although sales rose by only 18.2 per cent to Y355bn. The company cited a weaker yen and stronger demand as reasons for the improved results.

LTCB sharply down on Latin American write-off

By Ian Rodger

JAPAN'S three long-term credit banks all reported sharply lower pre-tax and net income for the year to March 31 due to the higher cost of capital and write-offs on loans to Latin American countries.

The banks explained they had to face higher fund-raising costs not only because money market rates and deposit rates rose in the year, but because they were raising more funds through expensive money market instruments rather than through fixed rate debentures.

LTCB said that the exchange of a Y55.2bn ($36.4m) loan to Mexico into Mexican national bonds resulted in a loss of Y33.1bn.

In addition, the bank sustained a loss of Y5.1bn on a loan to the Philippines.

All three long-term banks are expecting further profit erosion in the current year.

IBJ, which yesterday designated Mr Yoh Kurosawa, vice president, to succeed Mr Kaneo Nakamura as president, said its pre-tax profits are expected to drop 5.5 per cent to Y150bn.

LTCB said its pre-tax profits would fall 5 per cent to Y110bn and Nippon Credit Bank said its pre-tax profits would ease to Y69bn.

LONG-TERM CREDIT BANKS' RESULTS (Ybn)

Bank	Revenue	% change	Pretax	% change	Net	% change
IBJ	2,747.4	27	158.7	-19	83.3	-11
Long Term Credit	1,979.9	30	113.8	-10	64.0	-9
Nippon Credit	1,261.3	30	69.1	-11	34.9	-9

Japanese trust banks decline

JAPAN'S seven trust banks reported declines in profit in the year to March 31 because of the squeeze on spreads as domestic interest rates rose, writes Clay Harris in Tokyo.

Their total pre-tax profit of Y603.5bn ($398.4m) was 17.2 per cent below the Y729.1bn achieved in 1988-89.

All except Toyo Trust cushioned their falls with gains on securities trading.

At Nippon Trust, smallest of the seven, such gains accounted for 44 per cent of the pre-tax total.

Sumitomo Trust widened its lead in the revenues league and pulled level with Mitsubishi Trust at the pre-tax level although the latter easily remained the largest in terms of net profits.

Yasuda Trust and Banking, the fourth largest trust bank, said it expected a further slight decline in net income in the current year because of the interest rate environment.

JAPANES TRUST BANK RESULTS (Ybn)

Company	Revenue	% change	Pretax	% change	Net	% change
Mitsui	1,168	+28.9	118.4	-12.3	54.0	-10.8
Mitsubishi	1,476	+33.2	133.0	-22.5	68 3	-11.9
Sumitomo	1,527	+40.6	133.0	-15.5	62.2	-15.4
Yasuda	1,049	+32.4	105.1	-19.2	48.7	-7.0
Toyo	801	+28.3	76.7	-17.2	35.5	-13.4
Chuo	436	+37.0	29.2	-26.0	12.9	-7.0
Nippon	153	+19.5	8.2	-16.6	4.7	-5.3

New models boost Mazda and Mitsubishi Motors

MITSUBISHI Motors and Mazda Motor, two Japanese car makers, have posted sharp increases in annual sales and profits due to their efforts to boost domestic business with new models, writes Stefan Wagstyl.

The two companies are trying hard to keep up with the industry leaders – Toyota Motor, Nissan Motor and Honda Motor – in launching new cars with features which include four-wheel drive and four-wheel steering.

Mazda, which is 24 per cent-owned by Ford Motor of the US, increased unconsolidated pre-tax profits in the year to March to Y48.2bn ($31.8m) as sales rose 6.9 per cent to Y2,045bn. Mitsubishi's sales were neck-and-neck with Mazda's at Y2,025bn, an increase of 6.7 per cent. Pre-tax profits were 22.8 per cent higher at Y41.4bn.

Mazda forecast sales of Y2,150bn and pre-tax profits of Y55bn for the current year.

Mitsubishi expects to see sales of Y2,200bn and Y46bn in pre-tax profit.

Buying surge spurs top stores

By Martina Gannon

TWO LEADING Japanese department stores, Mitsukoshi and Sogo, showed large gains in consolidated net income in the year to February, partly due to a buying surge prior to the introduction of the consumption tax in April last year. But Takashimaya, Japan's oldest department store, saw its net income drop 13.6 per cent to Y16.3bn ($10.76m) in the same period as the value of the yen depreciated.

Mitsukoshi, part of the Mitsui group, operates stores in London and the US and is expanding into housing and mail-order sales. It posted pre-tax profits of Y20.2bn, up 26 per cent on the year before, and sales of Y998.3bn, up 11 per cent.

Total sales of the Sogo group, which recently acquired a restaurant in Rome, rose 12 per cent to Y304.2bn, and pre-tax profits were up to Y9.9bn from Y9bn the previous term.

Takashimaya, ranking top in mail-order sales among Japanese department stores, had a sales increase of 8 per cent, to Y1,030.8bn, attributable partly to the effects of the consumption tax. Its pre-tax profits fell 8.3 per cent to Y30.4bn, but the store expects pre-tax profits to recover to Y31bn next year. It foresees sales rising 6 per cent to Y1,095bn.

Isetan, one of several city-style department stores, was hit by the depreciation of the yen and the huge cost of opening new stores and refurbishing existing ones. Its pre-tax profits were down 8.4 per cent to Y14.7bn, on extrapolation of the previous four-month term. Sales fell 7.3 per cent to Y371.1bn on the same basis.

The group estimates pre-tax profits will rise 1.8 per cent to Y15bn in the current year, on sales of Y414bn.

Ajinomoto slides 2.9% to Y37bn

By Clay Harris

AJINOMOTO, Japan's largest integrated food processing company, saw consolidated pre-tax profits fall by 2.9 per cent to Y37.05bn ($24.46m) last year because of a decline in subsidiaries' interest income.

At the parent company level, pre-tax profits edged ahead by 2.5 per cent to Y33.95bn despite a 9 per cent slide in operating profit. This reflected lower profits in edible oils and other products, because of a rise in raw material costs, and special spending to celebrate the company's 80th anniversary. Consolidated turnover rose by 6.3 per cent to Y541.85bn, and by 3.7 per cent to Y477.18bn at the company level.

Consolidated net income fell 11.4 per cent to Y14bn but parent company net advanced 6.1 per cent to Y15.92bn, or Y24.59 (Y23.46) per share.

A final dividend of Y5 raises the total to Y10 per share.

For the current year, Ajinomoto forecast consolidated pre-tax profits of Y38bn and net income of Y17bn on sales of Y575bn.

Gas suppliers fall on higher costs

TOKYO GAS and Osaka Gas, the two largest suppliers in Japan, suffered from price cuts made in April last year and higher material costs in the year to March. The pre-tax profits of both fell – Tokyo Gas to Y50.5bn ($33.3m), down 32.6 per cent, and Osaka Gas down 33.6 per cent to Y42.5bn, writes Martina Gannon.

Higher costs, particularly a rise in the price of liquefied natural gas, brought the net income of Tokyo Gas down 32.8 per cent to Y26.1bn and Osaka Gas down 39.7 per cent to Y19.7bn. Total sales of Osaka Gas slipped 0.7 per cent to Y559.3bn in the year, but Tokyo Gas sales rose 4.9 per cent to Y707.1bn as demand for gas for industrial use grew.

Sales are expected to rise further in the current year, but Osaka Gas estimates its pre-tax profits will fall 10.5 per cent to Y38bn as costs continue to rise. Tokyo Gas foresees sales rising to Y742bn, up 4.9 per cent.

Kansai up to Y8.6bn

THE PRE-TAX profits of Japan's largest paint manufacturer, Kansai Paint, which is hoping to enter the European market through a tie-up with Hoechst of West Germany, rose 16 per cent to Y8.6bn ($5.6m) in the year to March 31, writes Martina Gannon.

Successful management of funds raised by issuing bonds with stock purchase warrants helped boost the figure, despite a 2 per cent fall in operating profits due to higher labour and raw material costs.

COMPANY NOTICES

De Beers Consolidated Mines Limited

(Incorporated in the Republic of South Africa)
Company Registration No. 11/00007/06

NOTICE OF DIVIDENDS DECLARED ON PREFERENCE SHARES

DECLARATION OF DIVIDEND NO. 162 ON THE 40 PER CENT CUMULATIVE PREFERENCE SHARES OF R5.00 EACH

Dividend No. 162 of one Rand (R1.00) per share in respect of the six months ending 30th June 1990, has been declared payable to the holders of the 40 per cent cumulative preference shares registered in the books of the Company at the close of business on 29th June 1990, and to persons presenting coupon No. 162 detached from the preference share warrants to bearer. A notice regarding payment of dividends on coupon No. 162 detached from share warrants to bearer will be published in the press by the London Secretaries of the Company on or about 22nd June 1990.

DECLARATION OF DIVIDEND NO.30 ON THE 8 PER CENT CUMULATIVE SECOND PREFERENCE SHARES OF R1.00 EACH

Dividend No. 30 of 4 cents per share in respect of the six months ending 30th June 1990, has been declared payable to the holders of the 8 per cent cumulative second preference shares registered in the books of the Company at the close of business on 29th June 1990.

For the purpose of these dividends the preference share transfer registers and registers of members will be closed from 30th June 1990 to 13th July 1990, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 6th August 1990. Registered shareholders paid by the United Kingdom Registrars will receive their dividend in United Kingdom currency converted at the rate of exchange applicable on 2nd July 1990, less appropriate taxes. Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 29th June 1990.

The effective rate of non-resident shareholders' tax is 13.50 per cent.

The dividends are payable subject to conditions which can be inspected at the head office and London office of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom.

By order of the board
H. J. CRANKSHAW
Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(PO Box 61051,
Marshalltown 2107)

Barclays Registrars Limited
6 Greencoat Place
London SW1P 1PL

Head Office:
36 Stockdale Street
Kimberley 8301

London Office:
40 Holborn Viaduct
London EC1P 1AJ

25th May 1990

De Beers
De Beers Consolidated Mines Limited

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YEN 8,000,000,000 FLOATING RATE NOTES DUE 1992

Notice is hereby given that for the Interest Period from the 25th May 1990 to 26th November 1990, the rate of interest will be 7.33¼ per annum. The interest payable on the 26th November 1990 will be Yen 371,521. per each Yen 10,000,000. Note.

Agent Bank
The Mitsui Trust & Banking Co., Ltd., London

£75,000,000 HMC FINANCING 3 PLC

Class A
Mortgage Backed Floating Rate Notes due December 2018

Notice is hereby given that there will be a principal payment of £9,799.58 per Note on the interest payment date June 12, 1990. The principal amount outstanding per Note will be £80,867.09.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

May 29, 1990

COMPANY NOTICES

NOTICE OF MEETING

Notice of meeting of Marine and General Mutual Life Assurance Society.

NOTICE IS HEREBY GIVEN to the Members that the 138th Annual General Meeting of the Society will be held at MGM House, Heene Road, Worthing, West Sussex, BN11 2DY, on Wednesday, 27th June 1990 at 12.30 pm for the following purposes.

1. To receive the Directors' Report and Financial Statements for the year ended 31 December 1989.
2. To consider the election of directors.
3. To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:
   That as from the 1st July 1990, fees payable to each Director shall be at such rate not exceeding £12,500 per annum and proportionately for any lesser period than one year as may be determined from time to time by the Board of Directors. In addition there shall be payable a sum not exceeding £30,000 per annum to be divided between the Chairman and the Directors with special duties in such proportion and in such manner as the Directors may from time to time determine.
4. To reappoint KPMG Peat Marwick McLintock as auditors of the Society and to authorise the directors to fix their remuneration.
5. To transact any other business.

By Order of the Board
J Sutton, Secretary
25 May 1990

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday May 25, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	58.7278	34.9164	39.2292
Albania	(Lek)	10.0791	5.9639	3.5458	3.9838
Algeria	(Dinar)	13.4564	7.9623	4.7340	5.3187
Andorra	(Fr Fr)	9.5750	5.6656	3.3685	3.7845
	(Sp Peseta)	176.75	104.5857	62.1811	69.8616
Angola	(Kwanza)	50.602o	29.9180	17.8019	20
Antigua	(E Carr $)	4.5644	2.7008	1.6057	1.8041
Argentina	(Austral)	8824.75	5221.7455	3104.5734	3488.0434
Aruba	(Florin)	3.0260	1.7905	1.0645	1.1960
Australia	(Aus $)	2.1995	1.3014	0.7737	0.8693
Austria	(Schilling)	19.975	11.8195	7.0272	7.8952
Azores	(Port Escudo)	249.45	147.6035	87.7572	98.5968
Bahamas	(Bahama $)	1.6900	1	0.5945	0.6679
Bahrain	(Dinar)	0.6382	0.3776	0.2245	0.2522
Balearic Is	(Sp Peseta)	176.75	104.5857	62.1811	69.8616
Bangladesh	(Taka)	57.00	33.7278	20.0527	22.5296
Barbados	(Barb $)	3.4001	2.0118	1.1961	1.3439
Belgium	(Belg Fr)	58.45	34.5857	20.5628	23.1027
Belize	(B $)	3.3810	2	1.1894	1.3363
Benin	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Bermuda	(Bermudian $)	1.6900	1	0.5945	0.6679
Bhutan	(Ngultrum)	28.90	17.1005	10.1571	11.4229
Bolivia	(Boliviano)	5.2828	3.1259	1.8585	2.0880
Botswana	(Pula)	3.1600	1.8698	1.1116	1.2490
Brazil	(Cruzado)	86.6445	51.2689	30.4817	34.2468
British Virgin Is	(US $)	1.6900	1	0.5945	0.6679
Brunei	(Brunei $)	3.1228	1.8478	1.0986	1.2343
Bulgaria	(Lev)	1.3122	0.7764	0.4616	0.5186
Burkina Faso	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Burma	(Kyat)	10.7780	6.3775	3.7917	4.2600
Burundi	(Burundi Fr)	293.25	173.5207	103.1662	115.9090
Cambodia	(Riel)	368.42o	218	129.6112	145.6205
Cameroon	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Canada	(Canadian $)	2.0005	1.1837	0.7037	0.7907
Canary Is	(Sp Peseta)	176.75	104.5857	62.1811	69.8616
Cp. Verde	(CV Escudo)	123.2713	72.9415	43.3672	48.7238
Cayman Is	(CI $)	1.4031u	72.3709	0.4936	0.5545
Cent. Afr. Rep	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Chad	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Chile	(Chilean Peso)	511.50	302.6627	179.9472	202.1739
China	(Renminbi Yuan)	7.9332	4.6942	2.7909	3.1356
Colombia	(Col Peso)	821.12	485.8698	288.8724	324.5533
Comoros	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Congo (Brazz)	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Costa Rica	(Colon)	149.1866	88.2760	52.4842	58.9670
Côte d'Ivoire	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Cuba	(Cuban Peso)	1.3470	0.7970	0.4738	0.5324
Cyprus	(Cyprus £)	0.7915	0.4683	0.2784	0.3128
Czechoslovakia	(Koruna)	27.52c	16.2840	9.6816	10.8774
		46.42t	27.4674	16.3306	18.3478
Denmark	(Danish Kroner)	10.8150	6.3994	3.8047	4.2747
Djibouti Rep	(Djib Fr)	295.00	174.5562	103.7818	116.6007
Dominica	(E Carib $)	4.5644	2.7008	1.6057	1.8041
Dominican Rep	(D Peso)	14.2469	8.4301	5.0121	5.6311
Ecuador	(Sucre)	1242.14o	734.9940	436.9885	490.9644
		1412.43a	835.7573	496.8970	558.2727
Egypt	(Egyptian £)	4.5650	2.7011	1.6059	1.8043
El Salvador	(Colon)	10.7392	6.3545	3.7780	4.2447
Equat'l Guinea	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Ethiopia	(Ethiopian Birr)	3.4740	2.0556	1.2221	1.3731
Falkland Is	(Falk £)	1.00	0.5917	0.3518	0.3952
Faroe Is	(Danish Kroner)	10.8150	6.3994	3.8047	4.2747
Fiji Is	(Fiji $)	2.5780	1.5254	0.9069	1.0189
Finland	(Markka)	6.6565	3.9387	2.3417	2.6310
France	(Fr)	9.5750	5.6656	3.3685	3.7845
Fr. Cty/Africa	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Fr. Guiana	(Local Fr)	9.5750	5.6656	3.3685	3.7845
Fr. Pacific Is	(CFP Fr)	170.00	100.5917	59.8065	67.1936
Gabon	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Gambia	(Dalasi)	14.0081	8.2876	4.9273	5.5360
Germany East	(Ostmark)	2.8425	1.6819	1	1.1236
Germany West	(D Mark)	2.8425	1.6819	1	1.1235
Ghana	(Cedi)	552.65	327.0118	194.4239	218.4387
Gibraltar	(Gib £)	1.00	0.5917	0.3518	0.3952
Greece	(Drachma)	279.00	165.0887	98.1530	110.2766
Greenland	(Danish Krone)	10.8150	6.3994	3.8047	4.2747
Grenada	(E Carr $)	4.5644	2.7008	1.6057	1.8041
Guadaloupe	(Local Fr)	9.5750	5.6656	3.3685	3.7845
Guam	(US $)	1.6900	1	0.5945	0.6679
Guatemala	(Quetzal)	6.1238	3.6235	2.1543	2.4204
Guinea	(Fr)	507.15	300.0887	178.4168	200.4545
Guinea-Bissau	(Peso)	1098.825u	650	386.5699	434.3181
Guyana	(Guyanese $)	55.315u	33	19.4599	21.8634
Haiti	(Gourde)	8.4525a	5	2.9736	3.3409
Honduras	(Lempira)	7.3051u	4.4250	2.5699	2.8873
Hong Kong	(HK $)	13.1510	7.7816	4.6265	5.1980
Hungary	(Forint)	109.558	64.8272	38.5428	43.3035
Iceland	(Icelandic Krona)	101.69	60.1715	35.7748	40.1936
India	(Indian Rupee)	28.90	17.1005	10.1671	11.4229
Indonesia	(Rupiah)	3103.665	1836.4881	1091.8786	1226.7450
Iran	(Rial)	118.20	69.9408	41.5831	46.7193
Iraq	(Iraqi Dinar)	0.5267	0.3116	0.1852	0.2081
Irish Rep	(Punt)	1.0605	0.6275	0.3730	0.4191
Israel	(Shekel)	3.4250	2.0266	1.2049	1.3537
Italy	(Lira)	2087.25	1235.0591	734.3007	825
Jamaica	(Jamaican $)	11.5810	6.8526	4.0742	4.5774
Japan	(Yen)	253.00	149.7041	89.0061	100
Jordan	(Jordanian Dinar)	1.1252	0.6657	0.3958	0.4447
Kenya	(Kenya Shilling)	38.65	22.8698	13.5971	15.2766
Kiribati	(Australian $)	2.1995	1.3014	0.7737	0.8693
Korea North	(Won)	1.6398	0.9702	0.5768	0.6481
Korea South	(Won)	1201.53	710.9644	422.7018	474.9130
Kuwait	(Kuwaiti Dinar)	0.49340	0.2919	0.1735	0.1950
Laos	(New Kip)	1217.16	720.2130	428.2005	481.0909
Lebanon	(Lebanese £)	1057.80	625.9171	372.1372	418.1027
Lesotho	(Maloti)	4.4795	2.6505	1.5759	1.7705
Liberia	(Liberian $)	1.6900	1	0.5945	0.6679
Libya	(Libyan Dinar)	0.4899	0.2898	0.1723	0.1936
Liechtenstein	(Swiss Fr)	2.4075	1.4245	0.8469	0.9515
Luxembourg	(Lux Fr)	58.45	34.5857	20.5628	23.1027
Macao	(Pataca)	13.6420	8.0721	4.7992	5.3920
Madeira	(Port Escudo)	249.45	147.6035	87.7572	98.5968
Malagasy Rep	(MG Fr)	2173.50	1286.0946	764.6437	859.0909
Malawi	(Kwacha)	4.7730	2.8242	1.6791	1.8865
Malaysia	(Ringgit)	4.5548	2.6951	1.6023	1.8003
Maldive Is	(Rufiya)	15.5746	9.2157	5.4791	6.1559
Mali Rep	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Malta	(Maltese £)	0.5545#	0.3281	0.1950	0.2191
Martinique	(Local Fr)	9.5750	5.6656	3.3685	3.7845
Mauritania	(Ouguiya)	141.7822	83.8947	49.8794	56.0403
Mauritius	(Maur Rupee)	25.50	15.0887	8.9709	10.0790
Mexico	(Mexican Peso)	4784.12a	2830.8402	1683.0677	1890.9565
		4694.52d	2777.8224	1651.5461	1855.5415
Miquelon	(Local Fr)	9.5750	5.6656	3.3685	3.7845
Monaco	(French Fr)	9.5750	5.6656	3.3685	3.7845
Mongolia	(Tugrik)	5.6725u	3.3555	1.9956	2.2420
Montserrat	(E Carr $)	4.5644	2.7008	1.6057	1.8041
Morocco	(Dirham)	14.6866	8.6902	5.1667	5.8049
Mozambique	(Metical)	1558.6353	922.2694	548.3325	616.0613
Namibia	(S A Rand)	4.4795	2.6505	1.5759	1.7705
Nauru Is	(Australian $)	2.1995	1.3014	0.7737	0.8693
Nepal	(Nepalese Rupee)	48.6408	28.7815	17.1119	19.2256
Netherlands	(Guilder)	3.1975	1.8920	1.1248	1.2638
N'nd Antilles	(A/Guilder)	3.0260e	1.7900	1.0645	1.1960
New Zealand	(NZ $)	2.9443	1.7421	1.0358	1.1637
Nicaragua *	(Cordoba)				
Niger Rep	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Nigeria	(Naira)	13.3211	7.8823	4.6864	5.2652
Norway	(Nor. Krone)	10.9350	6.4704	3.8469	4.3221
Oman	(Rial Omani)	0.6516	0.3855	0.2292	0.2575
Pakistan	(Pak Rupee)	36.40	21.5384	12.8056	14.3873
Panama	(Balboa)	1.6900	1	0.5945	0.6679
Papua New Guinea	(Kina)	1.6428	0.9720	0.5779	0.6493
Paraguay	(Guarani)	2086.20	1234.4378	733.9313	824.5849
Peru	(Inti)	32578.00	19276.9230	11461.0378	12876.6798
Philippines	(Peso)	37.30	22.0710	13.1222	14.7430
Pitcairn Is	(£ Sterling)	1.00	0.5917	0.3518	0.3952
	(NZ $)	2.9443	1.7421	1.0358	1.1637
Poland	(Zloty)	15974.00	9452.0710	5619.7009	6313.8339
Portugal	(Escudo)	249.45	147.6035	87.7572	98.5968
Puerto Rico	(US $)	1.6900	1	0.5945	0.6679
Qatar	(Riyal)	6.1624	3.6463	2.1679	2.4357
Reunion Is. de la	(F Fr)	9.5750	5.6656	3.3685	3.7845
Romania	(Leu)	34.421	20.3668	12.1090	13.6047
Rwanda	(Fr)	130.27	77.0828	45.8293	51.4901
St Christopher	(E Carr $)	4.5644	2.7008	1.6057	1.8041
St Helena	(£)	1.00	0.5917	0.3518	0.3952
St Lucia	(E Carr $)	4.5644	2.7008	1.6057	1.8041
St Pierre	(French Fr)	9.5750	5.6656	3.3685	3.7845
St Vincent	(E Carr $)	4.5644	2.7008	1.6057	1.8041
San Marino	(Italian Lira)	2087.25	1235.0591	734.3007	825
Sao Tome	(Dobra)	176.7729	104.5993	62.1892	69.8707
Saudi Arabia	(Riyal)	6.3478	3.7560	2.2331	2.5090
Senegal	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Seychelles	(Rupee)	9.08	5.3727	3.1943	3.5889
Sierra Leone	(Leone)	265.20	156.9230	93.2981	104.8221
Singapore	($)	3.1228	1.8478	1.0986	1.2343
Solomon Is	($)	4.2640	2.5230	1.5000	1.6853
Somali Rep	(Shilling)	693.105	410.1213	243.8364	273.9345
South Africa	(Rand)	4.4795c	2.6505	1.5759	1.7705
		6.7198g	3.9762	2.3640	2.6560
Spain	(Peseta)	176.75	104.5857	62.1811	69.8616
Spanish Ports in N Africa	(Sp Peseta)	176.75	104.5857	62.1811	69.8616
Sri Lanka	(Rupee)	67.00	39.6449	23.5708	26.4822
Sudan Rep	(£)	19.3505	11.4500	6.8075	7.6484
Surinam	(Guilder)	3.0175	1.7855	1.0615	1.1926
Swaziland	(Lilangeni)	4.4795	2.6505	1.5759	1.7705
Sweden	(Krona)	10.2975	6.0931	3.6226	4.0701
Switzerland	(Fr)	2.4075	1.4245	0.8469	0.9515
Syria	(£)	35.5005w	21	12.4891	14.0318
Taiwan	($)	46.45	27.4852	16.3412	18.3596
Tanzania	(Shilling)	325.65	192.6923	114.5646	128.7154
Thailand	(Baht)	43.00	25.4437	15.1275	16.9960
Togo Rep	(CFA Fr)	478.75	283.2840	168.4256	189.2292
Tonga Is	(Pa Anga)	2.1995	1.3014	0.7737	0.8693
Trinidad/Tobago	($)	7.2015	4.2612	2.5335	2.8464
Tunisia	(Dinar)	1.5291	0.9047	0.5379	0.6043
Turkey	(Lira)	4356.63	2577.8875	1532.6754	1721.9881
Turks & Caicos	(US $)	1.6900	1	0.5945	0.6679
Tuvalu	(Australian $)	2.1995	1.3014	0.7737	0.8693
Uganda	(New Shilling)	630.0394	372.8043	221.6497	249.0274
U A E	(Dirham)	6.2105	3.6748	2.1848	2.4547
United Kingdom	(£)	1.00	0.5917	0.3518	0.3952
United States	(US $)	1.6900	1	0.5945	0.6679
Uruguay	(Peso)	1848.61	1093.8520	650.3465	730.6758
USSR	(Rouble)	1.0001	0.5917	0.3518	0.3952
Vanuatu	(Vatu)	198.50	117.4556	69.8328	78.4584
Vatican	(Lira)	2087.25	1235.0591	734.3007	825
Venezuela	(Bolivar)	79.4025	46.9837	27.9340	31.3843
Vietnam	(Dong)	7607.25	4501.3315	2676.2532	3006.8181
Virgin Is-British	(US $)	1.6900	1	0.5945	0.6679
Virgin Is-US	(US $)	1.6900	1	0.5945	0.6679
Western Samoa	(Tala)	3.9535	2.3393	1.3908	1.5626
Yemen	(Rial)	20.3705	12.0535	7.1664	8.0515
Yemen PDR	(Dinar)	0.7878u	0.4610	0.2771	0.3113
Yugoslavia	(Dinar)	19.8143	11.7244	6.9707	7.8317
Zaire Rep	(Zaire)	906.25	536.2426	318.8214	358.2015
Zambia	(Kwacha)	66.10	39.1124	23.2541	26.1264
Zimbabwe	($)	4.1225	2.4393	1.4503	1.6294

Special Drawing Rights May 24, 1990 United Kingdom £0.779752 United States $1.31973 Germany West D Mark NA Japan Yen199.543 European Currency Unit Rates May 25, 1990 United Kingdom £0.722076 United States $1.22067 Germany West D Mark 2.05475 Japan Yen182.551

* £ STG 186150.00 US $ 110082.791 D-MARK 66186.666 YEN 71734.104

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Friday May 25, 1990 #Correct Malta rate for 21.5.90-0.5211

WORLD STOCK MARKETS

AUSTRIA

May 28	Sch	+ or −
Austrian Airlines	4,760	+10
Creditanstalt	5,430	—
Erste Allgemeine	21,500	+300
Jungbunzlauer	14,550	—
Laenderbank	1,220	—
OeMV	10,490	+140
Perlmooser	1,880	+30
Radex	1,170	+5
Reininghaus	2,470	−30
Steyr-Daimler	233	−1
Veitscher Mag	1,155	+10
Verbund	587	+2
Wienerberger	6,140	—

BELGIUM/LUXEMBOURG

May 28	Frs.	+ or −
Arbed	5,120	+10
B.B.L.	3,000	+10
Bank Intl. a Lux	15,400	—
Banque Gen. Du. Lux	14,700	—
Banque Nat. Belg	33,000	+25
Barco	2,420	+80
Bekaert B	15,275	−50
Ciment CBR	9,390	+10
Cobepa	5,650	—
Do. AFV 1	5,640	—
Cockerill	197	+2
Colruyt	24,000	+500
Delhaize	6,050	+150
EBES	3,915	+55
Do. AFV 1	3,840	+30
Fabrique Nat	326	—
GIB Group	1,386	+20
Do. AFV	1,366	−16
GBL(Brux)/L	4,000	+15
Do. AFV 1	3,980	−10
[illegible]	[illegible]	[illegible]

FRANCE (continued)

May 28	Frs.	+ or −
Beghin-Say	933	—
Do. Certs	615	+10
Bongrain	3,405	−45
Bouygues	679	+14
CGIP	1,444	−11
CMB Packaging	199.1	−0.9
Carrefour	3,775	−2
Casino	151.8	+0.7
Cetelem	643	+3
Chargeurs	1,093	−7
Ciments Fr.	1,769	−16
Club Mediterranee	660	+10
Cofimeg	371	−2
Cogifi	395	+9.5
CGE	631	—
Coparex	560	—
CCF	250	+1
Cred Foncier Fr	1,417	+4
Cred Lyonn (CI)	880	−6
Credit National	1,575	+10
Damart	3,400	—
Docks de France	3,940	−39
Dollfus-Mieg	610	+10
Dumez S.A.	636	−6
Eaux (Cie Gen)	2,750	+10
Ecco	620	+13
Electrofin're	1,040	—
Elf-Aquitaine	696	−10
Do. Certs	500	−16
Epeda-Bertrand	1,228	+28
Essilor	2,495	+25
Eternit (Fin.)	2,327	−61
Eurafrance	2,102	−48
Eurocom	2,360	+20
Euro Disneyland	105	+0.3
Euromarche	3,998	+18
Exor	1,915	−15
Finextel	199	−0.1
[illegible]	[illegible]	[illegible]

GERMANY (continued)

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SOUTH AFRICA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Closing prices May 28

[illegible]

MONTREAL
Closing prices May 28

[illegible]

INDICES

NEW YORK

DOW JONES	May 28	May 25	May 24	May 23	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	(c)	2820.92	2855.55	2856.26	2856.26 (23/5)	2543.24 (30/1)	2856.26 (23/5/90)	41.22 (2/7/32)
Home Bonds	(c)	90.12	90.21	90.09	93.04 (3/1)	88.48 (2/5)	—	—
Transport	(c)	1152.74	1159.50	1166.61	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	(c)	211.27	212.15	213.03	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High – (2856.58) Low – (2805.69)

STANDARD AND POOR'S

	May 28	May 25	May 24	May 23	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	(c)	354.58	358.41	359.29	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	(c)	413.63	418.45	419.32	419.32 (23/5)	371.92 (30/1)	419.32 (23/5/90)	3.62 (21/6/32)
Financial	(c)	29.46	29.74	29.67	31.87 (3/1)	26.99 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	(c)	193.71	195.47	195.85	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	(c)	359.84	360.76	359.65	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	(c)	453.69	458.29	456.87	460.98 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	May 18	May 11	May 4	year ago (approx.)
Dow Industrial Div. Yield	3.99	3.93	4.05	3.35

	May 23	May 16	May 9	year ago (approx.)
S & P Industrial div. yield	2.94	2.98	3.07	3.21
S & P Indl. P/E ratio	16.08	15.49	15.20	12.86

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
-	-	—	- —
-	-	—	- —
-	-	—	- —
-	-	—	- —
-	-	—	- —
-	-	—	- —
-	-	—	- —
-	-	—	- —
-	-	—	- —
-	-	—	- —

TRADING ACTIVITY

† Volume Millions	May 28	May 25	May 24
New York	(c)	120.250	156.140
Amex	(c)	9.725	21.999
NASDAQ	(c)	152.158	174.332
Issues Traded	(c)	1,981	2,020
Rises	(c)	534	712
Falls	(c)	944	801
Unchanged	(c)	503	507
New Highs	(c)	24	49
New Lows	(c)	32	30

CANADA

TORONTO	May 28	May 25	May 24	May 23	1990 HIGH	1990 LOW
Metals & Minerals	3070.50	3062.00	3067.00	3106.30	3453.05 (4/1)	2850.80 (23/4)
Composite	3498.70	3494.70	3510.60	3519.50	4009.47 (3/1)	3394.20 (1/5)
MONTREAL Portfolio	1798.73	1795.98	1804.22	1810.10	2060.90 (3/1)	1720.25 (27/4)

Base values of all Indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 28	May 25	May 24	May 23	1990 HIGH	1990 LOW
AUSTRALIA						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOKYO - Most Active Stocks
Friday May 25 1990

	Stocks Traded	Closing Prices	Change on day
Mitsui Eng&Shp	86.7m	1,040	+55
NKK	77.8m	708	+32
Nippon Steel	68.7m	640	+13
Mitsubishi H I	50.1m	1,080	0
Hitachi Zosen	40.6m	914	+14
Kawasaki Hvy	36.2m	1,010	+30
IHI	19.7m	1,220	+10
Mitsui & Co.	16.0m	1,080	+30
Nisshin Steel	15.4m	1,010	+45
Ohbayashi	14.7m	1,680	+60

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	51.27	51.27	54.85	5.00	[illegible]
Gilts & Fixed Int	6	105.0	105.0	111.3	9.88	[illegible]
High Inc Equity	6	124.7	133.2xd	141.7	[illegible]	[illegible]
Worldwide Bond	6	189.2	189.2xd	200.5	6.43	[illegible]
Capital Growth						
American Growth	6	191.4	193.0	205.3	1.19	[illegible]
Asian Pacific	6	141.0	144.2	153.3	0.09	[illegible]
Assets & Earnings	6	151.8	151.8	162.3	2.99	[illegible]
Capital Reserve Acc	0	92.07	92.07	92.19	6.51	[illegible]
Capital Reserve Inc	0	77.38	77.38	77.49	7.74	[illegible]
Commodity & Energy	6	95.79	95.79	102.4	7.00	[illegible]
Dividend & Growth	6	47.26	48.54	51.44	4.37	[illegible]
1992 Enterprise	6	61.41	62.75	66.73	2.01	[illegible]
Euro Capital Acc	6	103.9	103.9	111.1	0.86	[illegible]
Euro Capital Inc	6	99.74	99.74xd	106.6	0.89	[illegible]
General	6	170.9	170.9	182.7	2.74	[illegible]
International	6	60.64	61.32	65.25	0.77	[illegible]
Japan	6	103.3	103.3	110.4	0.00	[illegible]
Mastertrust	6	90.06	90.06	96.32	1.54	[illegible]
UK Growth Acc	6	170.5	170.5	182.3	1.78	[illegible]
UK Growth Dist	6	111.4	111.4xd	119.1	2.72	[illegible]
US Emerging Cos	6	59.62	59.62	63.76	0.00	[illegible]
Income & Growth	6	290.6	290.6xd	310.8	3.30	[illegible]
Ethical	6	46.98	46.98	50.24	1.99	[illegible]
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
America & Growth	5¼	32.60	32.60xd	34.81	2.13	[illegible]
European	5¼	93.41	93.60	99.92	0.00	[illegible]
European Income	5¼	88.70	88.70xd	94.60	1.44	41377
Exempt	1	741.3	741.3xd	764.9	1.90	[illegible]
Exempt Income	3¼	172.0	172.0	182.2	4.76	[illegible]
Exempt American	3¼	387.9	387.9xd	406.6	1.45	[illegible]

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Brown Shipley & Co Ltd—Contd.						
North American	6	64.16	64.16	68.55	0.38	[illegible]
Orient	6	121.3	122.9xd	130.7	–	[illegible]
Recovery	6	44.25	44.25xd	47.10	3.80	[illegible]
Smaller Cos Acc	6	235.1	235.1xd	251.6	–	[illegible]
Smaller Cos Inc	6	144.0	144.0xd	154.1	1.28	[illegible]
Brycourt Unit Tst Mngmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382						
Income Growth	1	187.0	187.0xd	194.6	5.00	[illegible]
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4542						
Emerging Grth	5¼	58.09	58.09	61.58	3.2	[illegible]
(Accum Units)	5¼	60.16	60.16	63.77	3.11	[illegible]
Fellowship Tst	5¼	62.70	63.46	67.52	2.74	[illegible]
(Accum Units)	5¼	65.50	66.35	70.59	2.74	[illegible]
General Inc	5¼	286.5	286.5	303.7	3.59	[illegible]
(Accum Units)	5¼	491.1	491.1	520.6	3.59	[illegible]
Income	5¼	150.1	152.9	162.2	4.59	[illegible]
(Accum Units)	5¼	304.8	310.2	329.1	4.40	[illegible]
International	5¼	106.2	106.2	112.6	1.00	[illegible]
(Accum Units)	5¼	146.8	146.8	155.6	1.00	[illegible]
Smaller Co's	5¼	96.12	97.57	103.8	2.44	[illegible]
(Accum Units)	5¼	106.6	108.2	115.1	2.44	[illegible]
Inv Portfolio	3	53.52	53.52	56.39	5.08	[illegible]
(Accum Units)	3	56.11	56.11	58.07	5.08	[illegible]
High Income Port	3	44.84	45.76	47.42	4.95	[illegible]
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 071-488 7216						
Short Dated Gilt	1½	56.11	56.11	56.97	6.98	[illegible]
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
CCF Sel High Inc Eqy	5½	46.92	47.65	50.70	5.5	[illegible]
CCF Sel Intl Grth	5½	48.40	48.48	52.23	1.44	[illegible]
CCF Sel Inv Tst	5½	46.72	47.94	51.01	2.01	[illegible]
CCF Sel UK Sm Co's	5½	44.76	46.09	49.04	1.02	[illegible]
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 081-740 7070						
UK General Tst	5½	53.75	54.90	58.40	2.86	[illegible]
Global Tst	5½	46.92	47.44	50.46	0.35	[illegible]
Recovery Tst	5½	45.62	46.87	49.86	1.92	[illegible]
CIBC Unit Tst Managers plc (1200)H						

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Principal Unit Trust Mngmt Ltd (1600)F						
16 South Park, Sevenoaks, Kent TN13 1AN 0732 740700						
Principal Tst	5¼	94.04	95.37	101.46	3.50	[illegible]
Prolific Unit Tst Mngrs Ltd (1600)F						
222 Bishopsgate, London EC2 071-247 7544/7						
American Income	5	62.92	62.92	66.93	4.02	41141
Conv & Gilt	5	107.5	107.5xd	114.3	[illegible]	41142
Euro Grth & Inc	5	63.25	63.25	67.43	1.20	41143
Extra Income	5	129.7	129.7	137.9	5.29	41144
Far East	5	266.1	266.1	283.6	0.01	41145
High Income	5	83.37	83.37xd	88.69	5.02	41146
International	5	162.4	162.4	172.7	0.15	41147
Nth American	5	159.0	159.0	169.5	0.30	41148

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Schroder Unit Trusts Ltd—Contd.						
Pacific ♥	5	109.1	110.8xd	117.8	2.64	[illegible]
(Accum Units) ♥	5	111.1	112.8	119.9	2.64	[illegible]
Recovery	5	124.5	126.0	134.0	3.57	[illegible]
UK Index ♥	5	116.3	117.2	124.6	[illegible]	[illegible]
UK Small Co's	5	91.27	91.27	100.2	[illegible]	[illegible]
US Smllr Cos ♥	5	20.36	20.62	21.93	0.00	[illegible]
(Accum Units) ♥	5	20.36	20.62	21.93	0.00	[illegible]
Scimitar Unit Tst Mngrs Ltd (1200)F						
22 Billiter Street, EC3A 7BE 071-702 9974/5/6						
Global Grth Acc	5½	43.82	43.82	46.44	0.19	[illegible]
Do Income	5½	43.36	43.36	45.96	0.19	[illegible]
European Acc	5½	35.00	35.00	37.10	0.11	[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the consumer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Timberlake Trust Mngrs Ltd (0900)F
1 White Hart Yard, London SE1 1NX 071-407 5966

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Portfolio	2	92.78	92.78	98.49	2.07	42679

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250
4 Hourly Pricing—12 Noon Historic

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
TR American Grth	5¼	48.87	48.87	52.12	0	41525
TR Eur Sp Sits Acc	5¼	45.82	45.82	48.72	0	41526
TR Eur Sp Sits Inc	5¼	44.93	44.93	47.76	0	41527
TR Far East Opps Inc	5¼	24.58	24.66	26.24	–	41660
TR Far East Opps Acc	5¼	24.58	24.66	26.24	–	41685
TR General Growth	5¼	74.61	74.61	79.37	2.59	41528
TR Global Tech	5¼	78.44	78.44xd	83.66	0	41529
TR Income Growth	5¼	85.80	85.80	91.27	4.39	41530
TR Income Monthly	5¼	51.55	51.55	54.84	7.40	41531
TR Japan Growth	7½	86.96	86.96	92.31	0	41532
TR Overseas Growth	5¼	68.27	68.27xd	72.78	0	41533
TR Smaller Cos	5¼	74.93	74.93	79.71	2.41	41534
TR Special Ops	5¼	84.80	84.80	90.21	3.33	41535
TR Mgd Eq Plan Acc	5¼	35.01	35.01	37.24	2.67	41536
TR Mgd Eq Plan Inc	5¼	32.83	32.83	34.92	2.67	41537
TR Wwde Sp Sit Acc	5¼	39.13	39.13	41.72	0	41538
TR Wwde Sp Sit Inc	5¼	39.09	39.09	41.68	0	41539
TR Pension Portfolio						
TR American Grth ♣	6	29.32	29.71	31.50	0	46977
TR Eur Sp Sits ♣	6	36.43	36.79	39.00	0	46978
TR General Growth ♣	6	24.80	25.06	26.57	0	46979
TR Global Tech ♣	6	31.03	31.45	33.33	0	46980
TR Income Growth ♣	6	25.02	25.28	26.80	0	46981
TR Japan Growth ♣	6	27.24	27.47	29.12	0	46982
TR Mgd Equity ♣	6	26.88	27.17	28.80	0	46983
TR Overseas Growth ♣	6	29.30	29.69	31.47	0	46984
TR Smaller Cos ♣	6	17.70	17.88	18.96	0	46985
TR Special Ops ♣	6	17.38	17.57	18.62	0	46987
TR Stlg Liquidity ♣	6	26.19	26.65	27.76	0	46986
TR Wwde Sp Sits ♣	6	31.89	32.33	34.28	0	46988

Trades Union Unit Tst Mngrs (1200)H
NLA Tower, Addiscombe Road, Croydon 081-686 4355

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
TUUT	5	245.7	251.0	264.2	3.27	41540

Triton Fd Mngrs. Ltd. (1000)H
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Triton General	5¼	168.2	170.8xd	181.8	3.17	41541

[illegible]

Thornton Unit Managers Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Managed Exempt May 15	100.28	107.28xd	3.85	46975
(Accum Units)	101.06	108.11xd	3.85	46976

Touche Remnant Unit Tst Mngt Ltd

	Bid Price	Offer Price	Yield Gross	City-line
TR Exempt European	1289	1303xd	1.39	47801
TR Exempt Nth Amer	991	1004xd	3.23	47802
TR Exempt Pac Basin	932	945xd	0	47803

INSURANCES

AA Friendly Society
(Investment Magt. NI & G Inv Magt. Ltd)

	Bid Price	Offer Price	Yield Gross	City-line
AA Friendly Sp May 21	–	165.41	–	41607

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	Yield Gross	City-line
Prop. Ser. 1	299.1	314.9	–	41608
Equity Ser. 1	130.0	136.9	–	41609
Prop. Acc. Ser 2	461.0	485.3	–	41610
Equity Ser 2	150.7	158.7	–	41611
Selective Acc.	346.3	364.6	–	41612
Prop. Ser. 4	363.8	383.0	–	41613
Equity Ser. 4	154.3	162.5	–	41614
Man. Ser. 4	443.0	466.4	–	41620
Fixed Int. Ser. 4	215.5	227.0	–	41615
Indexed Inv. Ser. 4	145.3	153.1	–	41616
American Ser. 4	328.2	345.5	–	41617
Japan Ser 4	307.9	324.2	–	41619
European Ser 4	129.2	136.0	–	41622
High Inc. Ser. 4	459.3	483.5	–	41618
Money Ser. 4	248.9	262.1	–	41621
Intl Ser. 4	115.2	121.3	–	47021
Custodian Ser. 4	104.2	109.9	–	47022
Pension Funds				
Property	647.9	682.1	–	41623
Equity	1132.2	1191.8	–	41624
Selective	376.1	395.9	–	41625
Managed	844.7	889.2	–	41626

[illegible]

Barclays Life Assur. Co Ltd—Contd.

[illegible]

Clerical Medical Investments Group—Contd.

[illegible]

Friends Provident
Castle Street, Salisbury, Wilts SP1 3SH 0722 336242

[illegible]

Henderson Administration(z)

[illegible]

Legal & General—Contd.

[illegible]

Merchant Investors Assurance Co Ltd—Contd.

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

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Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	Yield Gross	City-line
NUAM Funds				
Managed Fund	66.2	69.7	–	43191
Stat Status Mngd Fund	65.1	68.6	–	43192
Equity Fund	68.8	72.5	–	43193
International Fund	63.1	66.4	–	43194
European Fund	74.7	78.6	–	43195
North American Fund	61.2	64.4	–	43196
Pacific Fund	66.9	70.4	–	43197
Property Fund	87.2	91.8	–	43198
Fixed Interest Fund	49.9	52.5	–	43199
Index Linked Sec Fund	57.6	60.6	–	43200
Deposit Fund	62.9	66.3	–	43201
NUAM Retirement Plans				
Mixed Fund	71.4	75.2	–	43202
UK Ordinary Share Fd	79.4	83.4	–	43203
International Fund	66.8	70.3	–	43204
Property Fund	85.0	89.4	–	43205
Fixed Interest Fund	58.7	61.8	–	43206
Index Linked Sec Fund	60.5	63.7	–	43207
Deposit Fund	71.9	75.7	–	43208
NUAM GPP				
Managed Fund	931.3	980.4	–	43209
Equity Fund	1879.3	1978.3	–	43210
International Fund	166.4	175.2	–	43214
Property Fund	551.2	580.3	–	43211
Fixed Interest Fund	373.6	393.3	–	43212
Index Linked Sec Fund	58.6	61.7	–	43215
Deposit Fund	258.4	272.0	–	43213

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	Yield Gross	City-line
Unitised Life				
With Profits Fd	101.31	106.64	–	47620
Managed Fd	91.90	96.73	–	47615
UK Ord Share Fd	91.77	96.60	–	47619
International Fd	93.82	98.75	–	47613
European Fd	106.80	112.42	–	47611
North American Fd	93.13	98.03	–	47616
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	Yield Gross	City-line
Unit Fund (Mixed)	1045.5	1097.6	–	43476
Equity Fund	241.9	254.0	–	43477
International Fd	160.1	168.1	–	43478
Fixed Interest Fd	150.1	157.6	–	43479
Property Fund	225.7	237.0	–	43480
Index-Linked Fund	144.7	151.9	–	43481
Deposit Fund	149.5	156.8	–	43482
Pens. Mixed (Ord) Fd	250.8	263.3	–	43483
Gold Pensions				
Discretionary Fund		122.1	–	46412
Equity Fund		123.1	–	46413
Fixed Interest Fund		108.9	–	46414
International Fund		122.8	–	46415
Property Fund		137.4	–	46416
Index-Linked Fund		121.8	–	46417
Deposit Fund		125.9	–	46418
S & F Consolidation		115.1	–	46419
S & F Balanced		128.1	–	46420
S & F Maximum Growth		104.8	–	46422

Provident Mutual Life Assc. Assn.
Willian Rd, Hitchin, Herts SG4 0LP 0438 759000

	Bid Price	Offer Price	Yield Gross	City-line
Managed Ord	331.2	348.6	–	43484
Managed Init	258.5	272.1	–	43485
Equity Ord	464.1	488.5	–	43486
Equity Init	362.3	381.4	–	43487
Index Linked Gilt Ord	143.8	151.4	–	43488
Index Linked Gilt Init	117.2	123.4	–	43489
Overseas Equity Ord	300.9	316.7	–	43490
Overseas Equity Init	234.8	247.2	–	43491
Property Ord	221.0	232.6	–	43492
Property Init	172.5	181.6	–	43493
Fixed Interest Ord	171.6	180.6	–	43494
Fixed Interest Init	133.9	140.9	–	43495
Deposit Ord	156.8	165.1	–	43496
Deposit Init	122.4	128.8	–	43497
Pension Funds				
Managed Ord	414.2	436.0	–	43498
Managed Init	323.3	340.3	–	43499

[illegible]

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

MANAGEMENT SERVICES

OFFSHORE INSURANCES

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IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Franc's problems may be temporary

THE FRENCH franc is at the bottom of the European Monetary System, but this seems to be causing more problems for the Bank of Italy than the Bank of France. The Italian central bank intervened most days last week, buying about FFr1bn to stop the lira rising above its cross rate limit against the French currency.

UK clearing bank base lending rate 15 per cent from October 5

Bank of France support for the franc was much more discrete, suggesting that the French authorities feel they can take a relaxed view of the franc's weakness against the lira as long as the D-Mark is also depressed within the EMS.

Political nervousness and a decline in French interest rates this year have weighed against the franc, but analysts think that the underlying economic position is encouraging. Year-on-year inflation of 3.2 per cent is above West German and Dutch levels, but it has recently moved down.

Monthly trade figures in France are notoriously erratic, but the current account deficit for the first quarter of 1990 was lower than expected. It is unlikely to maintain this improvement over the rest of the year, according to Mr Bernard Godement, at Nomura Research Institute Europe, but he believes there will be a substantial reduction in the deficit in 1991.

Mr David Simmonds at Midland Montagu Research agrees that the French economy remains generally healthy. He suggests the franc's fall from a 2¼-year high, touched against the D-Mark in early May, will not continue and that it should regain some ground, especially if worries remain about the implications of German monetary union.

£ IN NEW YORK

May.25	Close	Previous Close
£ Spot	1.6895-1.6905	1.6880-1.6890
1 month	0.94-0.92pm	0.98-0.96pm
3 months	2.76-2.73pm	2.75-2.73pm
12 months	9.20-9.10pm	9.18-9.11pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May.25	Previous
8.30 am	89.1	89.0
9.00 am	89.0	89.0
10.00 am	89.1	89.0
11.00 am	89.0	89.0
Noon	89.1	89.0
1.00 pm	89.1	89.0
2.00 pm	89.1	89.0
3.00 pm	89.1	88.8
4.00 pm	89.1	89.0

CURRENCY MOVEMENTS

May.25	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.1	-22.5
U.S Dollar	67.2	-30.5
Canadian Dollar	102.7	+0.2
Austrian Schilling	109.4	+11.5
Belgian Franc	111.2	-2.5
Danish Krone	110.3	+4.7
Deutsche Mark	118.1	+24.0
Swiss Franc	113.8	+22.6
Guilder	114.3	+16.2
French Franc	104.0	-12.4
Lira	101.0	-18.3
Yen	124.0	+51.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for May 24.

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6900	1.6807	1.6629	1.6387	1.5993

IMM-STERLING $s per £

	Close	High	Low	Prev.
Jun	1.6824	1.6852	1.6814	1.6814
Sep	1.6562	1.6590	1.6554	1.6550
Dec	1.6326	1.6340	1.6318	1.6306

CURRENCY RATES

May.25	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.779752	0.722076
U.S Dollar	7	1.31973	1.22067
Canadian $	13.32	1.56401	1.44527
Austrian Sch.	6½	N/A	14.4552
Belgian Franc	10¼	N/A	42.3060
Danish Krone	10½	N/A	7.81839
Deutsche Mark	6.00	N/A	2.05475
Neth.Guilder	7.00	N/A	2.31183
[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

May.25	£	$
Argentina	8821.80-8827.70	5220.00-5240.00
Australia	2.1985-2.2085	1.3005-1.3015
Brazil	86.6125-86.6765	51.2500-51.7500
Finland	6.6460-6.6670	3.9390-3.9420
Greece	276.75-281.25	163.45-166.00
Hong Kong	13.1445-13.1575	7.7820-7.7840
Iran	118.20*	69.25*
Korea(Sth)	1191.91-1211.15	709.00-714.60
Kuwait	0.49270-0.49408	0.29120-0.29180
[illegible]	[illegible]	[illegible]

*Selling rate

CHICAGO

[illegible]

Strike Price	Calls Jun	Jul	Aug	Sep	Puts Jun	Jul	Aug	Sep
1.550	13.70	13.70	13.70	13.90	-	-	0.13	0.42
1.575	11.20	11.20	11.20	11.40	-	-	0.33	0.79
1.600	8.80	8.70	8.70	8.90	-	0.14	0.68	1.34
1.625	6.30	6.30	6.30	6.48	0.05	0.47	1.25	2.11
1.650	3.80	4.03	4.19	4.64	0.25	1.08	2.05	3.13
1.675	1.95	2.35	3.05	3.18	0.93	2.03	3.05	4.45
1.700	0.75	1.25	1.61	2.10	2.31	3.54	4.68	6.03

Previous day's open int: Calls 336,787 Puts 339,179 (All currencies)
Previous day's volume: Calls 13,172 Puts 5,323 (All currencies)

POUND SPOT- FORWARD AGAINST THE POUND

May.25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6885-1.6935	1.6895-1.6905	0.94-0.92cpm	6.60	2.73-2.70pm	6.43
Canada	1.9975-2.0065	2.0000-2.0010	0.18-0.09cpm	0.81	0.54-0.42pm	0.96
Netherlands	3.19-3.20¼	3.19¼-3.20¼	1¾-1¼cpm	6.80	5¾-5⅜pm	6.57
Belgium	58.25-58.70	58.40-58.50	30-19cpm	5.03	81-64pm	4.96
Denmark	10.78½-10.84	10.81-10.82	4⅛-3½orepm	4.23	12½-11pm	4.28
Ireland	1.0545-1.0630	1.0600-1.0610	0.38-0.33ppm	4.02	1.06-0.96pm	3.81
W. Germany	2.83½-2.84½	2.84-2.84½	1⅝-1½pfpm	6.60	4⅝-4½pm	6.51
Portugal	249.05-250.70	248.95-249.95	4-14cdis	-0.43	71-99dis	-1.36
Spain	176.60-177.50	176.60-176.90	16-7cpm	0.78	34-21pm	0.62
Italy	2081½-2091¼	2086¼-2087¼	6-3lirepm	2.59	18-14pm	3.07
Norway	10.91-10.95¼	10.93-10.94	3⅝-2⅜orepm	3.57	9¾-8½pm	3.36
France	9.54¼-9.58¼	9.57-9.58	4¼-3¾cpm	5.09	12¼-11¾pm	4.99
Sweden	10.27¾-10.31½	10.29¾-10.30¾	2½-1⅞orepm	2.48	6¼-5¼pm	2.18
Japan	252½-253¼	252½-253½	1⅝-1½ypm	7.71	4⅞-4⅝pm	7.51
Austria	19.93-20.02	19.96-19.99	11⅞-10⅜gropm	6.83	33¼-30¾pm	6.43
Switzerland	2.40-2.41¼	2.40¾-2.41¼	1¼-1⅛cpm	5.92	3¾-3⅝pm	6.02
ECU	1.3820-1.3850	1.3825-1.3835	0.56-0.53cpm	4.73	1.59-1.54pm	4.53

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.16-5.11cpm 12 month 9.12-9.02cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May.25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6885-1.6935	1.6895-1.6905	0.94-0.92cpm	6.60	2.73-2.70pm	6.43
Ireland†	1.5920-1.6000	1.5945-1.5955	0.40-0.35cpm	2.82	1.12-1.02pm	2.68
Canada	1.1815-1.1860	1.1835-1.1845	0.56-0.59cdis	-5.83	1.62-1.67dis	-5.56
Netherlands	1.8835-1.8945	1.8920-1.8930	0.04-0.02cpm	0.19	0.09-0.07pm	0.17
Belgium	34.40-34.65	34.55-34.65	2.00-7.00cdis	-1.56	8.00-17.00dis	-1.45
Denmark	6.38-6.40½	6.39¾-6.40¼	1.18-1.38oredis	-2.40	3.20-3.70dis	-2.16
W. Germany	1.6745-1.6845	1.6815-1.6825	0.04-0.02pfpm	0.21	0.06-0.03pm	0.11
Portugal	147.55-147.85	147.55-147.65	83-93cdis	-7.15	280-295dis	-7.79
Spain	104.55-104.90	104.65-104.75	51-56cdis	-6.13	153-161dis	-5.99
Italy	1229¼-1237	1234¼-1235¼	3.40-4.40liredis	-3.79	9.80-11.20dis	-3.40
Norway	6.44¾-6.48	6.46¼-6.47¼	1.50-1.75oredis	-3.01	4.80-5.20dis	-3.09
France	5.63¾-5.66¼	5.66¼-5.66¾	0.67-0.72cdis	-1.47	2.00-2.10dis	-1.45
Sweden	6.07¼-6.10	6.09-6.09½	2.05-2.19oredis	-4.17	6.35-6.70dis	-4.28
Japan	149.10-150.25	149.65-149.75	0.13-0.11ypm	0.96	0.40-0.37pm	1.03
Austria	11.79-11.84½	11.83¾-11.84	0.10pm-0.30gdis	-0.10	0.05pm-2.05dis	-0.34
Switzerland	1.4175-1.4300	1.4245-1.4255	0.06-0.09cdis	-0.63	0.13-0.18dis	-0.44
ECU	1.2200-1.2265	1.2215-1.2225	0.19-0.18cpm	1.82	0.59-0.56pm	1.88

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

May.25	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.690	2.843	253.0	9.575	2.408	3.198	2087	2.005	58.45
$	0.592	1	1.682	149.7	5.666	1.425	1.892	1235	1.186	34.59
DM	0.352	0.594	1	88.99	3.368	0.847	1.125	734.1	0.705	20.56
YEN	3.953	6.680	11.24	1000.	37.85	9.518	12.64	8249	7.925	231.0
F Fr.	1.044	1.765	2.969	264.2	10.	2.515	3.340	2180	2.094	61.04
S Fr.	0.415	0.702	1.181	105.1	3.976	1	1.328	866.7	0.833	24.27
H Fl.	0.313	0.528	0.889	79.11	2.994	0.753	1	652.6	0.627	18.28
Lira	0.479	0.810	1.362	121.2	4.588	1.154	1.532	1000.	0.961	28.01
C $	0.499	0.843	1.418	126.2	4.776	1.201	1.595	1041	1	29.15
B Fr.	1.711	2.891	4.864	432.8	16.38	4.120	5.471	3571	3.430	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

May 25	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15⅛-14⅞	15⅛-15	15⅛-15	15⅜-15¼	15⅛-15	15-14⅞
US Dollar	8⅜-8¼	8¼-8⅛	8¼-8⅛	8⅜-8¼	8½-8⅜	8⅝-8½
Can. Dollar	13⅝-13⅛	13⅝-13⅛	13⅝-13⅛	13⅝-13⅛	13½-13¼	13½-13¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

May.25	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.85-7.90	8.05-8.15	8.10-8.20	8.20-8.30	8.50-8.65	8.00
Paris	9⅞-10⅛	9⅝-9¾	9⅝-9¾	9⅞-9⅞	9⅞-10	9.50
Zurich	8⅝-8⅞	8⅝-8⅞	-	8⅝-8⅞	-	-
Amsterdam	7.75-7.87	7.95-8.02	-	8.10-8.20	-	-
Tokyo	7⅛-7⅞	7⅛-7⅞	-	7⅞-7⅞	-	-
Milan	11⅝-11⅞	12¼-12⅝	-	12¼-12⅝	-	-
Brussels	8.10	9⅞-10	-	9⅞-10	-	-
Dublin	11⅛-11⅜	11⅛-11⅜	11⅞-11⅞	11⅞-11⅞	11⅝-11⅞	-

LONDON MONEY RATES

May 25	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15⅝	15	15⅛	15⅛	15⅛	15⅛
Interbank Bid	13	14⅝	14⅞	15	15	14⅞
Sterling CDs.	-	-	15	15⅛	15⅛	14⅞
Local Authority Deps.	15	15	14⅞	15⅛	15	14⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14⅞	14⅞	14⅞	14⅞	-	-
Company Deposits	-	-	15	15⅛	15⅛	14⅞
Finance House Deposits	-	-	14⅞	15⅛	15⅛	14⅞
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14⅞	-
Dollar CDs.	-	-	8.25	8.35	8.45	8.67
SDR Linked Dep. Offer	-	-	8⅞	9⅛	9⅛	9⅜
SDR Linked Dep. Bid	-	-	8¾	8⅞	9⅛	9¼
ECU Linked Dep. Offer	-	-	10⅛	10⅛	10⅛	10⅛
ECU Linked Dep. Bid	-	-	9⅞	10⅛	10⅛	10⅛

Treasury Bills (sell); one-month 14⅝ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.4592 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1990. Agreed rates for period May 26 to June 25, 1990, Scheme I: 15.94 p.c., Schemes II & III: 16.49 p.c. Reference rate for period March 31, 1990 to April 30, 1990, Scheme IV&V: 15.247 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from May 1, 1990; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989, Deposits withdrawn for cash 5 per cent.

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change	High	Low	Yield	Open int.
June	102.26	102.34	-0.06	102.34	102.26	9.58	44,603
September	102.26	102.32	-0.08	102.32	102.26	9.59	24,115
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Estimated volume 3,359 Total Open Interest 5,563

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

CROSSWORD

No.7,249 Set by DANTE

ACROSS

1 A line of washing? (8)
5 Take in with the eye of a sailor (6)
9 Second part of race, sprint recklessly (8)
10 It smoothly finishes off a piece of writing (6)
11 Quasar explosion round one high-class constellation (8)
12 Wool producer ruminates about South America (6)
14 Unmoving shares to cultivate (10)
18 Serious measures needed for those that are late (10)
22 Mineral almost exhausted in this state (6)
23 A rise for a cardinal (6)
24 Loans I arrange for a girl (6)
25 Gave a shriek and scared me badly (8)
26 It may give me this belief in God (6)
27 Unseemly uproar made by clan at gathering (8)

DOWN

1 Makes you French look Italian (6)
2 Stop and prepare a plan (4,2)
3 New style navy (6)
4 An organisation that delivers (6,4)
6 Reaction feared by a galley slave? (8)
7 Musical pirate involved in company set-up (8)
8 Lots are so docile (8)
13 Bill gets a medical qualification of college (10)
15 At sea no rating is lacking in knowledge (8)
16 Girl compelled to take a job (8)
17 Break our codes in a conventional way (8)
19 Descriptive of one who can't settle (2,4)
20 It stands still and marks time (6)
21 Fatal delay, perhaps, involves a number (6)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday June 9.

JOTTER PAD

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,047.6	ANZ $A1	218	0.9	9.4	8.1	Feb July	1698
2,554.5	Abbey National 10p	195	0.8	3.9	12.3	Apr Oct	5411
1,275.3	Allied Irish Ord	219	-0.9	4.3	27.11	Dec July	1354
1,213.7	Algemene Fl.10	£11¼	-2.1	7.6	3.5	Aug May	1567
29.9	Anglo Irish	75	......	5.9	30.4	Jan Jul	1355
141.9	Ansbacher (H.) 1p	76	4.1	4.4	12.3	April	1624
1,198.5	Bancaire Cie Fr100	£70	1.0	2.0	9.5	May Mar	2202
4,609.4	Banco Bilbao Viz	£19	......	4.4	9.12	Dec June	–
3,079.2	Banco de Santander	£27¼	-4.3	4.1	31.10	Apr Oct	–
811.5	Bank Ireland Ir£1	243	3.4	5.7	27.11	July Dec	1360
134.4	Bank Leumi	£19½	......	–	–	–	1740
24.3	Bank Leumi (U.K.)	345	......	5.2	26.2	Mar Sep	1740
871.1	Bank Scotland	115½	0.4	5.3	30.4	Nov Jul	1742
92.0	Do. 9¼pc Irrd Pf	92	0.5	13.4	30.4	May Nov	1462
13.4	Bank of Wales	42	7.7	8.9	30.4	Nov Jun	1743
6,074.9	Barclays £1	384xr	-2.3	6.8	12.3	Oct May	1754
7.51	Benchmark 20p	14	......	15.5	9.4	May Oct	1802
51.5	Brown Shipley £1	323	0.9	4.3	27.11	Jan Aug	1983
76.7	Cater Allen £1	484	7.2	7.8	27.11	Jan. July	2081
27.9	Chancery	137	......	7.8	27.11	Jan July	2102
445.9	Commerzbk DM10	£19¼	-2.2	3.3	27.5	May	1046
26,708.9	Dai Ichi KBk Y50	953	2.5	0.3	4.7	June	3221
8,729.2	Deutsche Bk DM50	£273¼xd	-1.3	1.8	17.5	May	2345
203.2	Espirito Santo	£19	-2.6	2.4	–	June	5187
340.6	First Nat. Fin. 10p	216	4.9	8.0	15.1	Mar Aug	2571
53.8	FNFC 6.3pc Cv. Pf	111	12.1	7.6	27.12	July	2570
30,212.8	Fuji Bank Y50	194xr	7.2	0.3	4.7	Dec June	1084
115.9	Gerrard & National	304	5.9	8.8	30.10	June Dec.	2686
88.1	Guinness Mahon 10p	136xd	-1.4	2.1	14.5	Jul Feb	5074
428.1	Hambros 20p	264	4.8	5.1	11.12	Jan Sep	2812
157.5	Do. 7.5pc Cv Pf	185	6.1	9.5	12.3	Apr Oct	4388
2,880.6	HK & Shang. HK$2.50	43½	1.2	6.6	14.9	May Sep	–
24.0	Joseph (Leo) £1	458	......	4.6	11.12	Jan Sept	3060
23.1	King & Shaxson 20p	146xd	4.3	9.4	14.5	Dec June	3038
496.2	Kleinwort Benson Grp	385	2.4	5.5	26.3	May Nov	3102
6,638.5	Kyowa Bank Y50	510	2.0	0.5		Mar Sept.	3049
3,268.4	Lloyds £1	264	-1.9	6.7	26.2	Oct May	3171
29.2	Lon. Scot. Bank 10p	49	2.1	6.5	29.1	Mar July	4651
2,168.4	Midland £1	278	-5.8	8.6	26.2	May Oct	3380
29,176.6	Mitsubishi Bank Y50	£10⅝	......	0.3	4.7	June Dec.	5290
11,826.8	Mitsubishi Tst & Bk Y50	£8⅞	2.2	0.4	–	–	4775
29,274.4	Mitsui Bank Y50	£8⅝	3.6	0.4	–	Sept Mar	–
7,828.7	Mitsui Tst & Bk Y50	653	6.0	0.5	8.12	Sept Mar	5398
3,261.3	Nat Aust. Bk. A$1	288	1.4	7.8	21.12	July Jan	3456
5,241.0	NatWest £1	329	-2.9	6.8	26.2	Oct May	3463
100.0	Ottoman Bank	£200xd	2.6	5.5	16.5	May	–
17.6	Rea Bros. Group	45	......	1.5	30.4	May Oct	3785
471.3	Rothschild (J) Hldgs.	167	-1.2	7.6	13.11	Jul Dec	3864
1,319.5	Royal Bk. Scotland	175xd	2.3	5.5	14.5	Mar Jul	3874
5,854.7	Saitama Bank Y50	576	4.5	0.4	8.12	Sept Mar	5286
37,055.7	Sanwa Bank Y50	925	5.1	0.3	11.12	June Dec.	5108
383.2	Schroders £1	763	3.4	2.2	26.3	Oct May	3939
74.7	Do. £1 N/V	578	2.7	2.9	26.3	May Oct	3941
2,329.7	Sec. Pacific $10	£23¼	-4.6	5.1	26.4	Fb My Ag Nv	3985
1,869.5	Standard Chartd. £1	458	-2.1	10.2	26.3	May Oct	4094
27,288.1	Sumitomo Bank Y50	£10⅞	1.2	0.3	27.3	June	3079
10,308.1	Sumitomo Tst & Bk Y50	£8¾	3.5	0.4	–	June Dec	4918
1,997.7	TSB	133	-2.2	5.8	12.2	Oct Mar	4320
21.2	TSB Bank Ch'nel Is'l	144	1.4	4.7	11.12	Feb Aug	4319
13,523.2	Tokai Bank Y50	£7	5.7	0.5	–	Sept Mar	5359
6,828.0	Toyo Tst & Bk Y50	741	2.1	0.4	8.12	Sept Mar	1393
108.4	Union Discount £1	578	4.3	7.6	12.2	Mar Sept	4353
815.2	Warburg (S.G.)	438	-1.1	3.9	27.11	July Dec	4425
60.4	Do 6pc Cnv Prf	142	-1.4	5.6	26.2	Mar Sept	4426
2,575.2	Westpac $A1	228	0.9	11.2	28.12	Jan July	4473
32.0	Wintrust 20p	378	......	2.8	12.2	Oct Mar	4524
7,558.7	Yasuda Tst & Bk. Y50	763	0.8	0.4	–	Sept Mar	5347

Hire Purchase, Leasing, etc.

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
65.9	Anglo Grp. 10p	198	-2.5	3.4	13.11	Dec Aug	1613
37.8	Do. 9½pc 1999	£75½	-2.6	12.6	–	September	–
52.0	CLF Yeoman 50p	138	-3.7	8.0	29.1	Jan July	1162
35.7	‡Cambridge Grp Ir5p	61xd	1.7	0.6	14.5	Nov June	5358
10.8	‡Capital Leasing Ir.10p	38	-9.5	2.9	27.12	Jul Jan	1641
36.4	Cattle's (Hldgs) 10p	55	1.9	8.7	9.4	May Oct	2082
201.1	Prov. Financial	399	2.8	6.9	26.2	Nov Apr	3731
24.4	‡Reflex Ins. Ir5p	218	......	0.8	27.11	July Dec	4940
30.1	Secure Trust Grp. 1p	212	......	5.3	30.4	Jun Nov	1472
274.7	Woodchester IR20p	200	-2.4	1.6	26.3	Sep May	1487

BEERS, WINES & SPIRITS

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
3,488.4	Allied-Lyons	459	-2.1	5.0	11.12	Jan Feb	1560
7,347.7	Anheuser-Busch $1	£24½	5.1	1.5	4.5	Mr Jn Se De	1620
[illegible]							

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¶ Price at time of suspension
- ♣ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- § No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 γ	830	......
Finlay Pkg. 5p γ	55	3.8
Holt (Jos) 25p γ	1290	......

IRISH

Cap. 8½% Ln. 1991	£98	......
9pc Cap Ln. 1996	£94¼	......
Fin. 13% 97/02	£112	......
Arnotts	415	1.2
Carrol (P.J.) γ	147	......
Hall (R. & H.)	175	......
Helton Hldgs. γ	74	2.1
IRG	288	......
United Drug	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	59
Amstrad	5½
Asec (BSR)	5½
BAT	63
BOC Grp.	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons.	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd.	55
ICI	85
Ladbroke	25
Legal & Gen.	34
Lex Service	26
Lloyds Bank	22
Lucas Inds.	52
Marks & Spencer	17
Midland Bk.	27
Nat West Bk.	29
P & O Dfd.	50
Polly Peck	37
Racal Elect.	19
RHM	35
Rank Org Ord.	68
Reed Intnl.	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Brit Land	32
Control Secs.	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petlm.	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res.	4½
Premier	10
Shell	37
Tuskar Res.	10
Ultramar	31

Mines

Lonrho	20
RTZ	45

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4pm prices May 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	29¾	AAR	.48	2.2	13	429	21⅜	21¼	21⅜	– ⅛
9¾	8	ACM n	1.01	12.		66	8¾	8½	8¾	
11⅝	9⅜	ACMIn	1.26	13.		1236	9⅞	9⅝	9¾	– ⅛
9⅞	7¼	ACM M	n1.01	13.		194	7⅞	7⅝	7⅞	
12⅛	10	ACMMM				84	10⅝	10½	10⅝	+ ⅛
11½	9⅜	ACM Sc	1.26	13.		x999	9⅝	9½	9½	
9⅜	8⅜	ACMSp	1.01	12.		400	8⅜	8¼	8⅜	+ ⅛
22⅝	14⅜	AL Lab	.18	.7	19	36	21⅞	21⅝	21¾	– ⅛
4⅝	3	AMCA	.20e	6.4	9	1	3⅛	3⅛	3⅛	
6⅞	2⅛	AM Intl			8	477	2⅜	2⅜	2⅜	
23⅛	10⅜	AM In pf	2	17.		34	11½	11¼	11½	+ ⅜
107¼	62½	AMR			12	2529	64⅛	63¼	63⅝	– ⅞
27	25	ANR pf	2.67	11.		1	25¼	25¼	25¼	
4⅞	3	ARX				9	3⅜	3¼	3¼	– ⅛
72¼	39	ASA	3e	6.0		747	50⅛	49⅝	50	– ⅛
74½	55¼	AbtLab	1.68	2.3	16	2024	73⅞	72½	73⅛	– ⅝
37⅜	27⅜	AbtLb wi				30	35⅞	35⅜	35⅞	– ¼
16⅞	11¼	AbitiBi g	.50			41	12⅝	12¼	12⅝	
13	8¼	AcmeC	.40	4.3	11	22	9¼	9	9¼	+ ¼
9⅜	7⅞	AcmeE	.32	3.6	11	25	9⅛	8⅞	9	
41⅞	28⅜	Acuson			24	477	41	40¼	40⅜	– ⅜
16½	13⅜	AdaEx	2.08e	13.		100	16	15⅞	15⅞	– ⅛
15⅞	9	Adobe				58	11⅞	11⅜	11⅞	+ ½
20¼	17¼	Adob pf	1.84	9.7		33	19	19	19	
21⅝	20⅛	Adob pf	2.40	11.		3	21	21	21	– ¼
11¼	6⅞	AMD			23	9281	10⅜	10	10⅜	– ⅛

Continued on Page 37

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
57⅞	38⅝	Wrigley	.88	1.6	20	188	56⅞	56¼	56⅝	− ⅛
14⅝	7⅞	WyleLb	.28	2.1	18	487	13⅝	13½	13⅝	
27¾	16	Wynns	.80	3.9	15	15	20⅝	19⅞	20⅝	
		− X−Y−Z −								
66½	46	Xerox	3	6.2	8	x2865	49⅞	48⅝	48½	− ⅛
36⅝	21¼	XTRA	.48a	2.0		7	23⅝	23¼	23⅜	− ¼
4⅝	2	Zapata				298	2¼	2⅛	2⅛	
12⅞	6⅞	Zemex				15	7	d 6⅞	6⅞	− ⅛
21⅞	7⅞	ZenithE				301	9⅞	9⅝	9⅝	− ⅛
21½	13½	ZenNtl	.80	5.8	9	178	15¼	15	15⅛	− ⅛
9⅝	6⅝	Zenix	.90	15.		281	6	5⅞	5⅞	− ⅛
18½	12⅞	Zero s	.40	2.8	14	46	14½	14⅜	14⅜	− ⅛
47⅞	30⅞	Zurnin	.76	1.7	20	882	46½	46	46	− ½
12⅝	10⅝	Zweig	1.21e	10.		181	11⅝	11⅝	11⅝	− ⅛
10	8⅞	ZweigTl	.96	10.		646	9⅛	9⅛	9⅛	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices May 25

[illegible]

NASDAQ NATIONAL MARKET

4pm prices May 25

Stock	Div.	Sales 100s	High	Low	Last	Chng
XL Dta		6 253	11	10¼	10¾	
XOMA		3254	24	23	23½	− ⅛
Xicor		2734	3⅝	3½	3 13-16	− 1-16
YankEnS	1.149	12 105	19¾	19¼	19½	
YellowF	.76	82 1394	29¾	29	29	− ⅞
YorkRs		25 1982	16⅜	16	16⅜	− ⅛
ZionUt	1.44	9 1	28½	28½	28½	

EUROPE

Smaller banks feature as Milan eases

LAST Thursday's holiday on much of the Continent, bank holidays in the UK and the US yesterday, and the prospect of another in Europe next Monday seem to be slowing bourses down, *writes Our Markets Staff*.

MILAN saw profit-taking after last week's gains. The Comit index slipped 2.29 to 736.59, but was still above the important 735 support level. In the absence of UK and US investors, turnover eased to an estimated L250bn from L300bn on Friday.

Banks featured, with Credito Italiano and Banca Commerciale likely to follow Banco di Roma's lead and announce a rights issue soon. Credito Italiano lost L12 to L2,749 while Banca Commerciale Italiana added L8 to L5,238.

Dealers said the real activity was in the smaller "*Banca Popolare*" stocks which are considered to have healthier capital ratios than the bigger banks and are also possible takeover targets. Banca Populare di Bergamo rose L500 to L20,400 and Banca Populare di Cremona rose L620 to L11,170. Elsewhere, retailer La Rinascente rose L190 to L7,610 on Japanese buying.

FRANKFURT opened weaker but, as there was no selling, traders moved to cover their short positions and the DAX index closed 5.79 higher at 1,828.96 after a fall of 2.12 to 772.66 in the FAZ at midsession.

Volume fell from DM4.3bn to DM3.6bn. Prices moved on small buy orders, with the exception of Volkswagen which, said Mr Werner Wanke, head of securities at B Metzler, saw the only big order of the day as it rose DM8 to DM599.

Some buying appeared after hours; but Mr Wanke thinks that traders, having been surprised by the absence of selling, were betting later on buying interest from London, or other points abroad today. "London has been a seller recently," he observed, "and yesterday's after-hours buying in Frankfurt might have been misconceived."

PARIS was initially depressed by Wall Street's weakness on Friday but came off the day's lows on selective buying of blue-chips. Turnover was estimated at a small FFr1.5bn and the CAC 40 index closed 2.49 better at 2,114.39, off the day's low of 2,092.62.

The oil producer Elf and its subsidiary Elf Gabon continued to fall in what dealers described as exaggerated selling following news of unrest in the African state. Elf fell FFr10 to L696 with 247,200 shares changing hands while Elf Gabon dropped FFr189 to FFr189 with a high 19,100 shares traded.

Lyonnaise des Eaux was FFr20 firmer at FFr742 on news that the state-owned telephone body France Telecom was to take a 10 per cent stake Lyonnaise des Eaux's cable television subsidiary. Hachette rose FFr2.50 to FFr414 after it was cleared to take a 22 per cent stake in French private television station La Cinq. Euro Disneyland, which fell 3.2 per cent on Friday after the issue of a new Wal Disney zero-coupon issue, closed 30 centimes higher at FFr105.

AMSTERDAM closed little changed in dull trading with volume very low. The CBS Tendency index was 0.1 lower at 119.3.

News that ABN and Amro planned a FL 1.3bn preference stocks right issue as part of a merger they hope to complete in the third quarter of 1990 had little impact. ABN was 30 cents lower at Fl 37.00 while Amro eased 60 cents to Fl 73.50. The distiller, Bols, added Fl 4.50 to Fl 183.50 with dealers reporting some Swiss buying interest and rumours of a possible foreign takeover bid.

The biscuit and chocolate maker, Verkade, was suspended until further notice. United Biscuits of the UK, which owns 41 per cent of Verkade, was due to make a statement soon regarding its friendly Fl 400 a share offer. A group of dissenting shareholders have said they would accept a price of Fl 485.

ZURICH followed Frankfurt with a rebound after a weak opening, the Crédit Suisse index rising 2.2 to 641.0. Buying off the lows in blue chips, particularly in banking and insurance, turned the market around; dealers said that these were catching up with the rest of the market.

OSLO closed mostly lower in quiet trading. The all-share index dropped 3.72 to 638.50 in thin trading worth NKr119.1m. Norsk Hydro lost NKr2 to NKr202.5 while Saga Petroleum free shares were unchanged at NKr136.

STOCKHOLM was led higher by Astra on news that its anti-ulcer drug *Losec* had been approved for extended use in the US. The free B shares climbed SKr47 to SKr590.

Asea free B's gained SKr18 to close at SKr793 on high market expectations for the company's first quarter results, due today. Ericsson free B's rose SKr20 to SKr1,160. After the market closed, Ericsson said it had won an order from West Germany's Axel Springer Verlag AG for the delivery and installation of a large private telecommunications network.

The Affärsvärlden general index closed 10.6 higher at 1,272.6, in turnover of SKR419m. Electrolux free B's rose SKr1 to SKr243 before confirming press reports that it had made an offer for the US white goods giant Whirlpool's vacuum cleaner division.

Toronto stocks quietly steady in thin trading

TORONTO stocks were steady across the board in light trade at midsession due to holidays in the US and Britain. The composite index dropped 2.9 to 3,491.8 on volume of 6.5m shares. Declines led advances by 193 to 129.

A lack of progress in resolving the dispute over the Meech Lake constitutional accord also weighed on the market.

Stikine Resources jumped C$7¾ or 12.65 per cent to C$69 after Placer Dome topped Corona's takeover offer for the company by bidding C$67.50 a share in cash.

SOUTH AFRICA

JOHANNESBURG was mixed in slack trading. The JSE all-gold index rose 11 to 1,641 while the overall index edged 1 lower to 3,165. Among the few changes, Vaal Reefs added R3 to 316 and Kloof was 50 cents higher at 38.50.

Dow's rate of climb revives 'Nifty Fifty' concept

Janet Bush examines the outperformance of US blue chips, and a 1970s argument for two-tier ratings

IT HAS BEEN the fashion among Wall Street analysts in recent weeks to compare the obvious outperformance of the Dow Jones Industrial Average of blue chip stocks and the broad market with buying of the "Nifty Fifty" in the early 1970s.

The Nifty Fifty was a neat way of describing what amounted to an exclusive club of quality, high-growth shares, with should retain their growth prospects in an economic downturn and which, therefore, were thought to be an absolutely safe investment bet. These companies were seen as "one-decision" stocks, which investors could buy and hold for the long-term and be assured of fine returns, or so the folklore went.

The trouble was that companies like IBM, McDonald's and Xerox were bid up to exorbitant multiples of 40 to 60 times earnings and proved chronically vulnerable when the broad market turned in 1973 and 1974. They dropped sharply value during that period and went on to underperform for years.

Since then, when investors focus their buying on large capitalisation, high-growth stocks and ignore the secondary and tertiary levels of the market, analysts naturally become cautious. As the Dow Jones Industrial Average has surged to successive record highs in the last fortnight - leaving broad indices such as the Standard & Poor's 500 behind - so Wall Street's army of stock analysts have started worrying about a cyclical end to the bull market which has, according to some arguments, been in place since the early 1980s.

The divergence so far this year has indeed been significant. At the close last Thursday, the Dow Jones Industrial Average - with at least a fair smattering of "nifty" stocks - had risen 3.7 per cent.

The Standard & Poor's 500, in contrast, gained only 1.4 per cent and the Value-Line Composite Index, which gives the same weighting to medium-sized and small companies as to large ones, had fallen by 4.9 per cent.

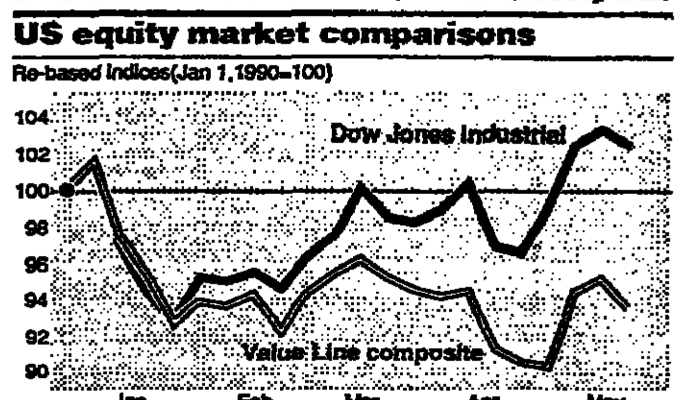
Another indication of the divergence between "nifty" and relatively ordinary shares is a look at the top and bottom 50 shares in the comparatively hallowed universe of the Standard & Poor's 500. The top 50 stocks have risen by 3.9 per cent so far this year while the bottom 50 have fallen by 4.4 per cent.

Some analysts believe that the parallels with the deep bear market of 1973 and 1974 are eerily close and that there is trouble in store for equities.

Mr Joseph Feshbach of Shearson Lehman Hutton said recently that it would be a longer-term negative for the market if the Dow were to reach all-time highs without being confirmed by similar moves in other major indices.

US equity market comparisons

Re-based indices(Jan 1,1990=100)



He also noted with concern that there had been an increase in speculation, pointing out that over-the-counter volume has been running at almost 100 per cent of volume on the New York Stock Exchange each session. He believes that this is the kind of thing which signals that the bull market may be in its terminal phase.

"History suggests that the kind of divergences which exist between the major index and all of its components (Utilities, Financials, Nasdaq, Transports and so forth) usually do come back to haunt the market - as it did in 1972," he said.

At the same time, and for a number of reasons, he and his colleagues do not appear to be bracing themselves for the kind of sharp correction seen in 1973 and 1974, but perhaps a much more gradual downward adjustment.

First, the price/earnings multiples of stocks now regarded as belonging to a new Nifty Fifty are nowhere near as high as they were in the frothy 1972 market. Back then, these stocks were selling at between two and 2½ times their expected growth rates, compared with nearer one to 1¼ times now.

Secondly, there does not appear to be as much speculation as there was in 1972. "So far, it has been pretty disciplined. The large stocks have spurted up and then settled back before moving forward again," commented Mr Marshall Acuff, a portfolio strategist at Smith Barney, Harris Upham. "I would be more nervous if a lot of the stocks all started shooting up, if we had a quorum."

Thirdly, there have been signs recently that the broad market is beginning to catch up with the Nifty Fifty. The Nasdaq Composite started rising rapidly recently, a good sign despite the fact that it is still well below its all-time high in October last year. In addition, the Standard & Poor's 500, at around 356, is now near to its all-time high of 359.88.

Finally, some analysts believe that history does not bear out the theory that the divergence we are now seeing necessarily portends trouble in the long-term; at least, they say, there is plenty of time to divest.

Mr Laszlo Birinyi of Birinyi Associates, his consulting firm, offers the example of 1986 when the Dow Jones Industrial Average piled on 22.5 per cent and the Nasdaq Composite only 6.9 per cent. Some analysts argued in retrospect that this was an early warning signal for the October 1987 crash. "You could argue that but you also cannot ignore the fact that the market went up another 25 per cent before it fell," Mr Birinyi said.

A more recent example comes from the Japanese stock market where one key technical indicator - the ratio of advancing to declining stocks - peaked in January 1989. It was not for another full year that the Japanese market suffered a severe decline.

"The Nifty Fifty is being used by those who are negative on the market to build a case," Mr Birinyi commented. "I would be more worried if I started to see little stocks start to do well, a sign that the occasional investor is finally in the market and therefore that we are near the end of the cycle."

ASIA PACIFIC

Nikkei tops 33,000 and nears half-way recovery point

Tokyo

A BETTER interest rate outlook and the strength of the yen cheered investors yesterday, and triggered a widespread hunt for laggards which took the Nikkei average above 33,000 for the first time in two and a half months, *writes Michiyo Nakamoto in Tokyo*.

The market managed to sustain last week's rising momentum and share prices opened the day on a strong upward trend. The Nikkei average topped 33,000 just after the start of trading with a gain of over 300 points. During the day it moved between a high of 33,224.19 and a low of 32,838.80 before closing with a gain of 397.73 at 33,191.61.

This was the market's fifth rise in a row. Advances outnumbered declines by 541 to 430 while 163 issues were unchanged. Volume was less robust than on Friday which saw 1bn shares traded but, at 750m shares, it was still quite good for a Monday. The TSE index of all listed stocks rose 14.11 to 2,434.05.

Interest was quick to change over the course of the day, and buying targets shifted within that time from big companies supported by domestic demand to earnings prospects, and laggards. The index rise was also supported by buying in arbitrage with futures.

Following Friday's rush into the market, institutional investors were big players yesterday, according to a broker at a major Japanese firm. The participation of the large institutions helped issues with high liquidity – big, domestically oriented companies.

At the same time, analysts were trying to predict the direction of funds as the market heads for the half-way recovery mark, 33,357 on the Nikkei, between its peak last December 29 and its subsequent low on April 2; they thought that lower-priced, as well as heavily capitalised issues would have to come into the equation.

Trading in two of the most popular high liquidity issues, NKK and Hitachi Zosen, had to be suspended during the day when their share prices surged. NKK, the steel company selected forits shipbuilding division, topped the actives list with 52.1m shares and gained Y4 to Y713. The stock exchange had to suspend trading in NKK when its price had risen Y11 to Y720. NKK, however, reported a 26.6 per cent drop in its recurring profit for the year to March.

Hitachi Zosen, which also surged on the shipbuilding industry's strong profits, gained Y10 to Y1,050 before trading in the issue was suspended. Profit-taking later in the day undermined the gains of several heavy industrials, however, and Hitachi Zosen finished down Y14 at Y900.

Mitsui Engineering and Shipbuilding, another recent favourite, held on to its gains and closed up Y10 at Y1,050. It was second most actively traded with 44.7m shares.

Interest in heavy industries shifted later in the day to constructions and other laggards. Construction companies have enjoyed strong business and are expected to see continuing orders from the public sector as Japan moves to fulfill US demands that it invest more in its infrastructure.

Shimizu Corp, a major general contractor, gained Y180 to Y2,040. Ohbayashi rose Y50 to Y1,740. An added incentive for Ohbayashi was its automatic building construction system, a world's first, which is expected to have its first trial in a building project in the autumn.

Although overall, the shift in the market environment has meant that high technology issues have lost some of their recent shine, some special situations in the sector stayed in favour. Sanyo Electric, for example, was actively traded, emerging third on the actives list with 36.2m shares, and gained Y48 to Y996. It was popular for its developments in solar batteries as interest in clean energy mounts.

Laggards also saw buying interest in Osaka and the OSE rose 182.21 to 35,178.07. Volume was firm for a Monday, at 88.6m shares, although lower than the 102.3m traded on Friday. Nomura Securities, which has its origins in the Osaka area, gained Y150 to Y2,570.

Roundup

THE Antipodean markets started the week on a firm note but other Pacific Rim markets were mostly lower. Hong Kong and Taiwan were closed for a holiday.

AUSTRALIA firmed on news of a narrower-than-expected current account deficit for April. But a firmer domestic dollar held down prices of export-oriented stocks, including miners. The All Ordinaries index ended 5.5 higher at 1485.2, its high for the day. Turnover dropped to 64m shares valued at A$121m from Friday's 86m shares valued at A$235m. Banking stocks were firmer, with Advance Bank ofAustralia adding 5 cents to A$4.45 on rumours that this smaller bank might be taken over. The market shrugged off comments by BHP chief executive Brian Loton that local steel demand will fall sharply this year, allowing the stock to end six cents higher at A$9.10.

NEW ZEALAND rebounded off early lows to close firmer in moderate trading. The market had opened weaker in line with a big drop on Wall Street on Friday, but the lack of scrip soon forced buyers to bid prices higher. The Barclays index closed 8.95 higher at 1,765.90. Turnover rose to 8.9m shares valued at NZ$14.9m from 8.4m shares valued at NZ$12.5m.

Brierley Investments was most heavily traded as it firmed 3 cents to NZ$1.73 on turnover of 1.5m shares. Fletcher Challenge rose 1 cent to NZ$4.27 on volume of 1.3m shares after news that it was selling its New Zealand titanium interests to North Broken Hill Peko of Australia.

BANGKOK rallied to a new record high with finance and construction issues leading the advance while banks lost ground on profit-taking. The composite SET Index gained 6.24 points to end at a record 983.07.

SINGAPORE saw active trading in UIC after its weekend announcement of a rights issue to fund its successful takeover of Singapore Land. UIC closed 13 cents higher at S$2.90 with 17.02m shares changing hands. The Straits Times index slipped 8.02 to 1,557.33 in turnover of 71.2m shares after 75.6m on Friday.

KUALA LUMPUR suspended Boustead Holdings, a diversified plantation-based group, amid rumours that its major shareholder, the Armed Forces superannuation fund, would make a full bid. After the close, the fund, which already has 33.13 per cent, said it would offer M$2.42 for the remaining shares. The KLSE composite index edged down 0.47 to 586.04.

SEOUL fell in thin trading in the absence of any fresh incentive. The composite index lost 5.51 to 778.23 and turnover eased to 95bn won after Saturday's half day trading volume of 73.8bn won. Declines were across the board with the exception of shipping shares.

MANILA was burdened by more political killings and fresh rumours that a coup attempt was brewing. The composite index fell 22.38 to 881.23 in thin trading.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MAY 25 1990						THURSDAY MAY 24 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (81)	133.81	+1.3	117.38	115.78	+0.5	6.00	132.10	115.89	115.23	158.31	125.85	132.70
Austria (19)	240.25	+0.2	210.76	210.00	+1.0	1.28	239.75	210.33	207.93	285.63	193.15	118.44
Belgium (61)	148.25	−0.4	130.06	126.50	+0.0	4.56	148.90	130.63	126.50	160.02	132.11	130.20
Canada (119)	134.98	−0.2	118.42	115.73	−0.3	3.50	135.31	118.71	116.11	153.61	130.37	136.66
Denmark (33)	255.02	−0.6	223.73	221.99	−0.2	1.29	256.62	225.13	222.50	260.82	236.69	171.57
Finland (26)	138.30	−1.2	121.33	114.37	−0.6	2.40	139.93	122.75	115.01	152.29	129.99	144.06
France (125)	165.40	−0.7	145.10	146.98	−0.3	2.80	166.63	146.18	147.48	168.85	141.69	116.99
West Germany (93)	128.88	−0.3	113.06	112.70	−0.3	1.98	129.29	113.43	112.99	137.71	122.05	81.69
Hong Kong (48)	126.77	+0.2	111.21	126.67	+0.2	4.91	126.48	110.96	126.36	126.90	112.24	116.31
Ireland (17)	181.09	−0.2	158.86	159.98	+0.1	2.74	181.48	159.21	159.78	198.57	172.72	138.22
Italy (96)	106.37	+0.0	93.31	98.10	+0.3	2.43	106.39	93.33	97.77	106.43	91.85	76.19
Japan (454)	156.73	+2.3	137.49	148.31	+1.1	0.56	153.17	134.37	146.63	197.26	124.40	180.66
Malaysia (35)	234.26	−0.1	205.51	243.37	−0.1	2.21	234.45	205.67	243.70	245.32	204.15	177.61
Mexico (13)	528.10	−0.1	463.29	1634.04	−0.2	0.32	528.80	463.91	1636.78	528.80	324.53	218.83
Netherland (43)	139.64	−0.7	122.50	120.62	−0.5	4.67	140.64	123.38	121.19	145.66	130.43	114.62
New Zealand (17)	62.99	+0.3	55.26	58.32	+0.5	7.54	62.79	55.08	58.06	75.36	59.57	65.97
Norway (23)	241.27	−0.8	211.66	211.88	−0.7	1.49	243.34	213.48	213.28	245.90	202.34	181.51
Singapore (25)	206.62	−0.3	181.26	175.86	−0.3	1.87	207.28	181.84	176.42	207.28	179.70	157.17
South Africa (60)	188.22	−0.9	165.12	163.59	−0.5	3.63	189.86	166.56	164.36	251.39	173.80	132.84
Spain (42)	158.17	−0.9	138.76	125.46	−0.5	4.23	159.58	139.99	126.03	165.19	132.84	149.23
Sweden (35)	206.98	+1.4	181.58	186.68	+1.7	2.16	204.04	179.00	183.50	206.98	173.69	159.31
Switzerland (66)	100.69	−0.4	88.33	88.95	−0.2	2.32	101.13	88.72	89.09	102.05	88.75	69.45
United Kingdom (305)	155.12	−0.5	136.08	136.08	−0.5	4.92	155.82	136.70	136.70	164.31	139.87	141.35
USA (537)	143.42	−1.1	125.82	143.42	−1.1	3.38	145.01	127.21	145.01	145.40	130.61	131.09
Europe (984)	144.56	−0.4	126.82	126.15	−0.3	3.58	145.19	127.38	126.48	146.66	135.57	114.87
Nordic (117)	201.90	+0.2	177.13	171.75	+0.6	1.75	201.46	176.74	170.81	201.90	185.01	151.40
Pacific Basin (660)	154.76	+2.2	135.76	146.10	+1.1	0.86	151.40	132.82	144.53	192.75	124.63	176.20
Euro − Pacific (1644)	151.02	+1.2	132.49	138.44	+0.6	1.92	149.28	130.96	137.68	174.18	130.35	151.69
North America (656)	142.82	−1.0	125.29	141.59	−1.1	3.39	144.33	126.61	143.09	145.78	131.02	131.33
Europe Ex. UK (679)	136.42	−0.4	119.68	119.66	−0.1	2.76	137.00	120.19	119.64	139.50	124.81	98.39
Pacific Ex. Japan (206)	130.53	+0.7	114.51	117.65	+0.3	5.17	129.64	113.73	117.29	139.32	122.53	122.73
World Ex. US (1836)	151.06	+1.1	132.52	138.31	+0.5	1.99	149.42	131.08	137.60	173.77	131.30	151.02
World Ex. UK (2068)	146.47	+0.4	128.50	140.31	+0.0	2.20	145.84	127.95	140.31	162.00	130.80	143.05
World Ex. So. Af. (2313)	146.98	+0.4	128.94	139.70	+0.0	2.45	146.45	128.48	139.74	161.84	131.95	142.95
World Ex. Japan (1919)	143.76	−0.7	126.12	135.73	−0.7	3.53	144.83	127.06	136.66	145.52	134.62	124.95
The World Index (2373)	147.23	+0.3	129.16	139.86	+0.0	2.46	146.72	128.71	139.91	162.05	132.25	142.89

Latest prices were unavailable for this edition.

FINANCIAL TIMES SURVEY

INTERNATIONAL SATELLITE BROADCASTING

SECTION III

Tuesday, May 29, 1990

As ambitious plans for more satellite television services are being unveiled in Europe and the US, there is intense competition to persuade viewers to pay for ever-wider multi-channel choices, explains **Raymond Snoddy**

The stakes are rising

SATELLITE television is becoming an increasingly serious business. From Germany to Japan and Scandinavia to the UK, extra television channels relayed from space direct to the home are proliferating.

Even in the US where, until now, additional choice has mainly come from cable television networks fed by low-power satellites, ambitious plans are being unveiled to broadcast more than 100 channels direct to the home, using small flat aerials the size of a dinner napkin. By the end of this year there will be more than 50 satellite television services over Europe alone.

In the main, satellite television means additional entertainment channels for the general audience, paid for either by advertising or sponsorship – or, in the case of film channels, by monthly subscription.

But already there is greater diversity than that, with programmes aimed at ethnic minorities scattered across continents, and services specialising in education and language tuition or business communications.

One of the most interesting examples of satellite television's potential to serve minorities was the launch in March of Japanese Satellite Television Programmes. This service uses the Astra satellite to broadcast two hours of Japanese programmes each evening – more at the week end – for the estimated 200,000 Japanese residents of Europe, many of them businessmen.

Also on the 16 channel satellite, Channel E is being broadcast across Europe as part of the daily programme service of RTL-Veronique. The educational and informative programmes are part of the European Commission's Delta project to evaluate how satellite television could be used for open learning across Europe. Programmes on Channel E range from English language-teaching to understanding computers, and programmes in Turkish for migrant workers.

Another definitive use of satellite television could be seen in the stores of Comet, the British consumer electronics retail chain, when at 8.30am one recent Saturday morning, all staff in the 350 branches were watching television of a new kind, for the company has set up what is, in effect, its own private television service. The system uses spare capacity on a British Satellite Broadcasting channel.

The special 15-minute programme was designed to introduce a new club account scheme and tell Comet staff how to explain it to customers. Staff would then able to take part in a live phone-in with company executives.

Mr Brent Wilkinson, Comet's managing director, commented: "We're extremely excited with this new venture which gives us the facility to communicate with all our staff simultaneously."

Despite difficulties, the concept of pan-European television still survives. Super Channel, now controlled by Beta Television, is available in 21m homes connected to cable in 18 countries.

By the end of 1990 there will be more than 50 satellite TV services over Europe

International niche markets are also being developed. There are now no less than three organisations offering financial news services to Europe, with more on the way – the European business channel from Zurich, European Business Today from Clark Television in London and, in a joint venture with the Financial Times, CNN of the US is launching CNN World Business Tonight.

But the main thrust of satellite television is to persuade consumers to pay for multi-channel choice. The most intense competitive battle is in the UK where Mr Rupert Murdoch's Sky Television is ranged against British Satellite Broadcasting, the consortium whose main shareholders include Granada, Pearson (publishers of the Financial Times), Reed International, Chargeurs (the French transportation group), and at least for a little longer, Mr Alan Bond, the Australian businessman.

Between them, the two competing groups – using different technology, with a noticeably different programme philosophy – have committed around £2bn to establishing satellite television in the UK. It is a considerable gamble, given the reasonably high quality of traditional British broadcasting, and competition from the video rental sector. The limited evidence from the UK so far suggests, however, that there is a market for satellite TV and that consumers are prepared to pay around £10 a month for a dedicated film channel. Since Sky TV went on the air in February 1989, four other English language channels have been picked up by the same 60cm dish - according to Continental Research, more than 700,000 homes have installed their own dishes in Britain with a similar number watching on cable TV networks.

The most dramatic number of all, however, is the 526,000 homes which have taken out a subscription for Sky movies since the channel began being scrambled in February.

It is too early to say what effect BSB will have on the development of the satellite market in the UK. Although it officially launched its five channels on April 30, receiving equipment has been in such short supply that only a few thousand people are watching BSB on their own Squarials.

It will probably be at least 12 months before it is possible to form a clear view on which way the commercial battle is going and what proportion of the potential market the two rivals are achieving. According to Continental Research, however, about a third of those interested in satellite TV say they will choose Sky, one third BSB, with the rest still to make up their mind.

BSB seems, however, to be the best-funded and most coherent of the European five-power direct broadcasting projects that have been struggling towards fruition since the early 1980s.

In Scandinavia, a use has finally been found for Tele-X, a pan-Nordic DBS project that has turned into something of a white elephant. The new channel T4 is scheduled to launch a satellite in September with an emphasis on original Scandinavian language programmes.

In France, there has been uncertainty for months about the final line-up of channels on TDF-1 and in West Germany the situation is even more confused

Yet, despite all the uncertainty over the future of satellite TV, and even more doubt over who the winners and losers will be, it is clear that a gradual irreversible change in the broadcasting industry is under way – in favour of multi-channel television.

ON OTHER PAGES

☐ Pictured left: Western Europe's biggest and heaviest space rocket, a 500-tonne Ariane-4, carrying two satellites, streaks into the night sky from the European Space Agency's base in French Guiana. The rocket carried telecommunication satellites – Japan's Superbird A and the West German Kopernicus 1.

Sky Television presenters celebrated the first birthday of the four-channel service in February this year. Pictured, from the left: Derek Jameson, Kay Burley, Mariella Frostrup and Malcolm Pyrah

Sky Television

Sceptics confounded

MR RUPERT MURDOCH, chief executive of The News Corporation, is a self-confessed gambler with an intuitive feel for major media investments.

He has bought apparently no-hope newspapers in the UK, such as The Sun, and turned them into money-spinners. There was deep scepticism in the US when he set up Fox Broadcasting to pursue the impossible dream – the creation of a fourth national network to challenge NBC, ABC and CBS.

Mr Murdoch is not there yet, but Fox has now moved into profit, *writes Raymond Snoddy.*

On February 5 1988, Mr Murdoch took what was probably his greatest-ever gamble – the launching of four channels of satellite television on the Luxembourg satellite, Astra, and with it, a commitment running into the hundreds of millions of pounds.

There is a long way to go before Mr Murdoch sees a penny from his investment, now almost certainly well in excess of £200m, but 16 months after the launch of Sky One, Eurosport, Sky Movies and Sky News, there are already signs of a remarkable achievement in the making.

It is rare now to travel anywhere in the UK and not see a single 60cm satellite dish somewhere.

According to the FT Satellite Monitor, more than 700,000 satellite dishes have been installed in homes in Britain.

As many people-households again in the UK and Ireland watch Sky Television channels relayed on cable television networks.

Sky Television believes the number of satellite dish installation in the UK and Ireland is even higher – and that part of the present success is due to cricket.

During the eight weeks of England's cricket tour of the West Indies, Sky broadcast 175 hours of live cricket and, according to the television company, more than 125,000 satellite systems were installed.

Such installation figures suggest that the public has taken to satellite television faster than any other consumer electronic product in recent years – faster than either colour television or the video recorder, although the process has been helped by the relatively low cost of equipment.

It has been possible to buy basic equipment at less than £200, excluding installation.

The venture is still costing Mr Murdoch around £2m a week in losses – or investment, as Sky would prefer to put it.

Despite the hugh financial risk, Mr Murdoch seems to be overcoming what was probably the greatest financial uncertainty he faced - would the British public take to the idea of subscription television and be prepared to continue paying for more television.

After a year of providing a free, unscrambled film channel there must have been more than a little nervousness at Sky as Sky Movies was progressively scrambled and film after film became totally unwatchable to those who hadn't paid £2.29 a week subscription.

Subscribers get a "smart card" like a credit card which unlocks the picture.

So far, the evidence suggests

Rupert Murdoch: a considerable achievement

that a significant proportion of Sky viewers are prepared to pay a monthly subscription for a film channel, presumably in many cases as an alternative to a trip to the local video shop.

By the end of the first week of April, there were 449,1345 subscribers to Sky Movies with many more awaiting decoders.

Market research suggests that two out of three homes with dishes either already subscribe to a film channel or intend to do so.

With Continental Research, which produces the FT Satellite Monitor, predicting 5m satellite dishes in the UK by the end of 1993, film channels could provide a revenue stream totalling £400m a year for BSB and Sky to divide by 1994.

The willingness to pay for films and possibly top sporting events is vital news for both Sky and British Satellite Broadcasting because in the early days of such ventures audiences, and advertising revenues, are inevitably modest.

Mr Murdoch's achievement in pioneering multi-channel television by satellite in the UK is considerable, yet he still faces three areas of uncertainty:

■ How well will Sky do in the battle for viewers with BSB, once the rival satellite consortium finally overcomes its problems with equipment shortages?

Despite its present lead, Sky could eventually be hurt if BSB began getting much more than 50 per cent of the available satellite market over an extended period.

■ A complaint to the European Commission by W.H. Smith, owners of Screen Sport, that Eurosport, a joint venture between Mr Murdoch's News International and a group of European public service broadcasters, is anti-competitive.

If finally sustained, the complaint could lead to the re-organisation of Eurosport and a loss of some coverage.

■ Perhaps most potentially serious of all would be the implications of a change of government in the UK.

A Labour government would be likely to introduce much tougher controls on cross-media ownership and try to bring Sky Television within the terms of the Broadcasting bill now going through Parliament, limiting newspaper-ownership in television stations to 20 per cent.

Mr Murdoch might one day have to choose between his five national newspapers in the UK and continuing control of Sky.

Five-channel service from British Satellite Broadcasting

Going for quality

BRITISH Satellite Broadcasting, the UK's official high-power DBS project, has finally launched its five-channel programme service, more than six months behind schedule.

In the end, because of shortage of receiving equipment, after nearly four years of planning the service arrived with more of a whimper than a bang, *writes Raymond Snoddy.*

Only a few thousand "opinion formers" were able to watch with the aid of their Squarials, although a further 300,000 homes have been receiving the BSB channels through cable TV networks.

As a result of the equipment bottleneck, Mr Rupert Murdoch's rival Sky Television network believes it will be September before BSB starts offering effective competition.

Yet however modest the beginning, by just getting on air with equipment that worked and with the project properly funded, was probably more than some of the project's detractors expected.

By the middle of May, 25,000 receivers had left the factory and this was expected to reach 60,000 by the beginning of June when BSB will finally launch its delayed national advertising campaign.

Independent viewing research conducted in early May for BSB showed that on cable television networks 39 per cent were watching at least some BSB output each day and that the daily share of total viewing, including BBC and ITV averaged over the week, was 22.2 per cent. The figures were higher than BSB expected at this stage. According to BSB, its programmes also achieved the highest appreciation levels of any channels.

The official launch was the culmination of more than 10 years of effort and failed promises as first the BBC alone, then all Britain's broadcasters in collaboration with five industrial groups, looked at the numbers, shook their heads and said "No," mainly because of the restrictions imposed by Government. The BSB consortium, awarded Britain's DBS franchise by the Independent Broadcasting Authority on December 11 1986, after a five-way contest, has put together what is said to be the largest private sector project in the UK after the Channel Tunnel. It has in the end involved a total financial package of more than £1.3bn.

The project has changed dramatically since that day in December 1986 when five companies, Granada, Pearson, Virgin Anglia Television and Amstrad Electronics were given the job of running three channels, including a 10-12 hours a day news service to be provided by – a service that included including 10-12 hours a day of news provided by Independent Television News. The funding target then was £650m.

Both Virgin and Amstrad pulled out and a later investor who became the biggest – Mr Alan Bond, the financially troubled Australian businessman – is now in the process of trying to sell his stake. The service was expanded to a five-channel system, plans for an extensive news service were dropped and the cost of the project crept gradually upward.

The main instrument of change turned out to be Mr Murdoch, a member of one of the losing consortia for the original franchise who jumped into the satellite television market more than a year ahead of BSB on the Astra satellite.

Unlike BSB, Mr Murdoch leased satellite capacity, rather than buying his own satellites, and used the existing PAL television standard rather than the more sophisticated D-MAC.

The challenge from Astra – eight channels in the English language on the first satellite alone – led BSB to go for the maximum permissible five high-power channels, ranging from movies and sport to general entertainment, pop music and arts, documentaries and life style programming.

The fact that Mr Murdoch had already established a 24-hour news service, persuaded BSB to concentrate instead on a more modest news headline service.

BSB now believes it will be available in 1m homes by January 1 and that the 3m homes needed for break-even should come in year three or four of the 15-year franchise.

As a result of the delays, the BSB consortium is a considerable way behind Mr Murdoch in the campaign to persuade the British to pay for satellite TV, but the real contest is only now about to begin.

Continental Research estimates that as many as 5m homes could have satellite TV in the UK by the end of 1993. In its FT Satellite Monitor, Continental has also looked into the intentions of those who say they are interested in acquiring satellite TV. Around a third say they will chose Sky, a third BSB, with the rest undecided.

There is at yet no evidence from the marketplace of how BSB, which claims to have a more British "editorial eye " and be closer to the traditions of the BBC and ITV than Sky, will actually fare in competition with Mr Murdoch.

BSB does however appear to have some medium-term advantages. There are 10 investors in the consortium although four Granada, Pearson (publishers of the Financial Times) Reed International and Chargeurs, the French transportation group, have emerged as the major backers.

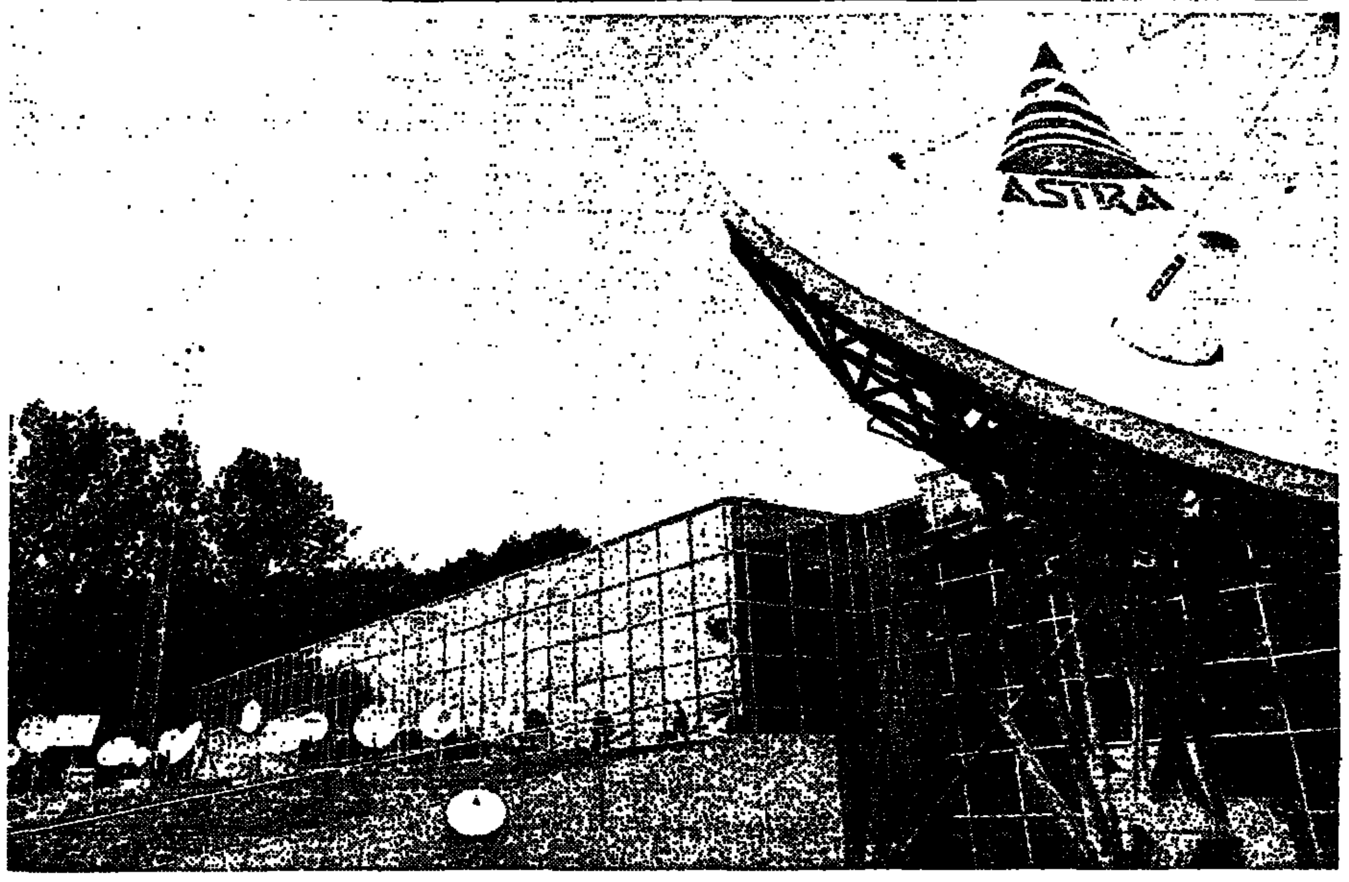
Going the high technology route has clearly added to initial costs, but BSB is placing considerably emphasis on the fact it can offer better TV pictures, with modern TV sets and, at the same time, moving towards progressively sharper wider-screen TV pictures within the next few years.

One of BSB's strongest cards could turn out to be the fact that it has an official 15-year franchise. By contrast, Mr Murdoch who owns five national newspapers in the UK, as well as Sky Television, could face great uncertainty if a Labour Government is re-elected.

Whatever the degree of uncertainty faced by Mr Murdoch, the next three years will be a time of great risk for BSB. Although there is said to be a considerable contingency element in the £1.3bn financing package, if the take-up of BSB is seriously behind schedule its high-cost structure could pull it down.

The scene is now set for one of the most intriguing commercial battle of recent years.

Some of the presenters of BSB, pictured at the launch of the new service: Keith Allen, Jools Holland, Mike Smith and Amanda de Cadenet. *Picture by Tony Andrews.*



The Astra Control Centre in Luxembourg: there is talk of a third Astra satellite by 1992.

Success with 16-channel Astra television satellite

Frontiers are vanishing

HERE may still be sceptics about the future profitability of satellite television, but one of the undoubted success stories of the industry so far has been the performance of the 16-channel Astra television satellite, *launched by Societe Europeenne des Satellites (SES) of Luxembourg.*

In its first effective year of business, all 16 transponders, each of which broadcast a television channel all over Western Europe, have been leased.

Furthermore, SES moved into profit and even paid its first modest dividends to shareholders – which include Thames Television, the UK's largest ITV company.

As a result, the company now plans to launch a second 16-channel satellite.

The satellite is already being built by GE in the US and is due to be completed in August for launch this winter.

There is even talk of a third satellite by 1992.

Because all three satellites can be co-located – placed in the same geostationary orbital position – all 48 channels can be received on the same 60cm satellite dish outside a viewer's home.

Such a supermarket of channels will clearly offer formidable competition to the national *high-power DBS systems* in the UK, France and Germany.

Mr Pierre Meyrat, director general of SES, has even taken his vision of the future one stage further by suggesting that it would also be possible to co-locate transponders with the power to broadcast high definition television offering larger, sharper pictures than are available now.

This would enable broadcasters to transmit both conventional pictures and a high definition service to those prepared to buy the inevitably more expensive high definition television sets.

"In this one remarkable year, we have succeeded in *bringing Astra to 15m European homes,"* says Mr Meyrat.

His hope is that by the end of the decade the Astra system will be able to deliver channels to 42m cable homes and another 35m by direct-to-homes dishes.

With the system already an established part of the media environment in Europe, it is difficult now to remember just how risky and uncertain the original plan to launch Europe's first private sector television satellite was.

With the support of the Luxembourg Government it was scarcely a "pirate" broadcaster yet it was still a challenge to the established satellite monopoly organisation Eutelsat, which groups Europe's telephone companies. Skilful negotiation was needed before an accommodation was *reached.*

Now Astra is offering services that range from nightly programmes aimed at the Japanese expatriate community in Europe to film and general entertainment channels for the the Scandinavian market.

The main block of channels on Astra Ia however are in English and German.

Apart from Mr Rupert Murdoch's four channels of Sky Television - Sky One, Eurosport,Sky Movies and Sky News - the other English language services include W.H. Smith's Screen Sport and Lifestyle, MTV Europe and Children's Channel.

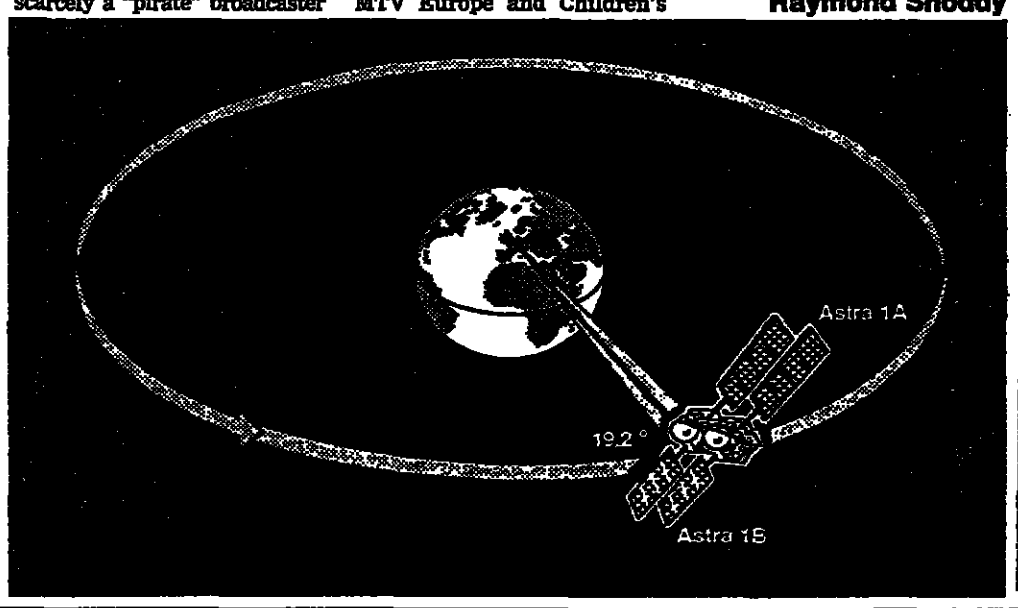
Just as importantly, Astra was recently able to persuade four German channels – RTL Plus, Sat I, Teleclub and Pro 7 – to come on board.

The company wants to add a *block of French and Spanish* language programmes on the second satellite, although at least another three English language channels are promised.

"Astra has played a role in bringing down the concept of national frontiers. Our television knows no frontiers nor geographical limits," explained Mr Meyrat, recently.

"The contribution of the channels on Astra to cultural exchange and to the unification of Europe has been very significant indeed."

Raymond Snoddy



The European Satellite Organisation

Big technical challenges

THE CHALLENGES today faced by *Eutelsat*, the pan-European satellite operator, are a prime example of just how quickly satellite broadcasting has become big business.

Eutelsat, appropriately based on the 47th floor of Paris' tallest office block, has its origins in an agreement in 1977 between European posts and telecommunications authorities to launch a joint satellite body, established in its present form by 26 European countries five years ago.

Now the capacity of its four low-power television and telecommunications satellites, leased by broadcasters and telecommunications providers in its member-countries, is saturated.

Its new director general, Mr Jean Grenier, formerly industrial and international director of France Telecom, is faced with the task of planning Eutelsat's future at a time when demand for its services is growing faster and becoming more complex than at any time in the body's history.

"Our main challenge is a technical one. We have lots of *demand* and not enough capacity," says Mr Grenier, who succeeded Mr Andrea Caruso, the first holder of the job, at the turn of the year.

Demand for Eutelsat's services is set to get even heavier in the years ahead, partly *thanks to the growth of* satellite television and the expansion in the provision of value added data telecommunications likely to be triggered by the recently agreed deregulation of Eunropean Community telecommunications services *industry.*

On top of this comes Eastern European countries' urgent need for quick low cost access to satellite capacity, to carry the efficient telecommunications seen as essential to creating market-based economies.

In line with their general eagerness to boost transfers of European technology to the East bloc, Eutelsat's Western European members are keen to see it play this important role in the East's development.

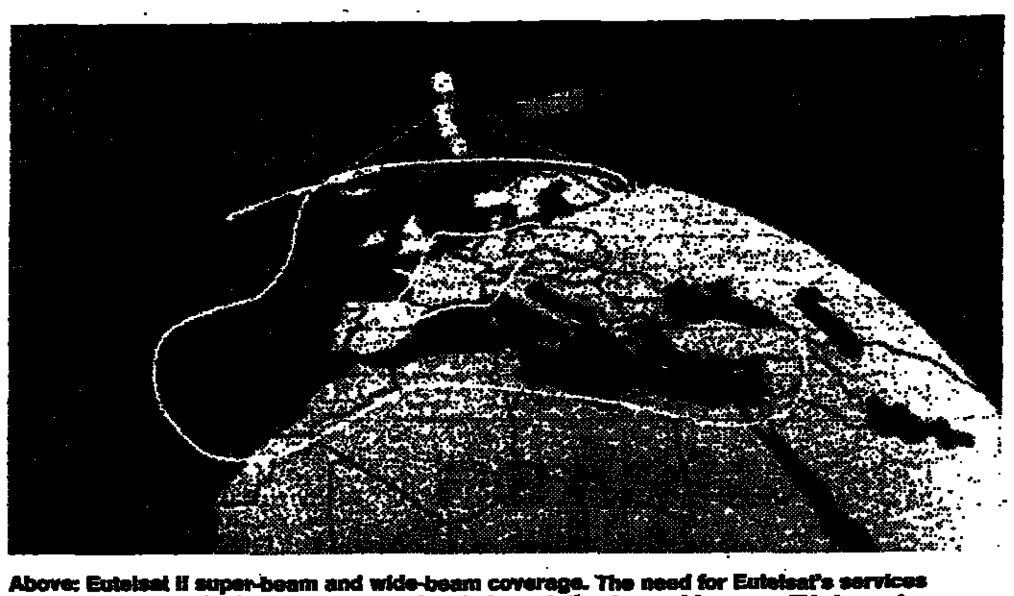
Poland last February became the first new member since 1985, Romania followed in May, while Hungary and Czechoslovakia are making approaches.

The first part of Eutelsat's response is to launch – probably in the second half this year – two medium-power satellites, built by Aerospatiale of *France with Marconi of* Britain, each of which will have 60 per cent more capacity and be more than two and a half times more powerful than the present generation.

This means Eutelsat II television signals can be received from 80cm diameter dishes, rather than the 1 metre plus dishes needed for reception from Eutelsat I.

The aim is to place them on the next flight of Ariane, the European space rocket, though Eutelsat might have to wait or use the US Atlas Centaur launcher because two French and West German satellites are already booked onto the same flight.

These will be followed by two more next year and a fifth in 1993, at a total cost of Ecu700m.



Above: Eutelsat II super-beam and wide-beam coverage. The need for Eutelsat's services will increase even further in the years ahead, through the demand for more TV channels and value-added data telecommunications services. Pictured below: Eutelsat II.

Ten Eutelsat members are meanwhile discussing the possible launch in 1995 of three high-power satellites with 12 channels each – a total of 36 television channels for a three satellite system – suitable for direct broadcasting (DBS) of high definition television *(HDTV).*

They are due to make up their minds on the project, called Europesat, which will cost Ecu1bn and require five satellites, including two backups, by the end of this year.

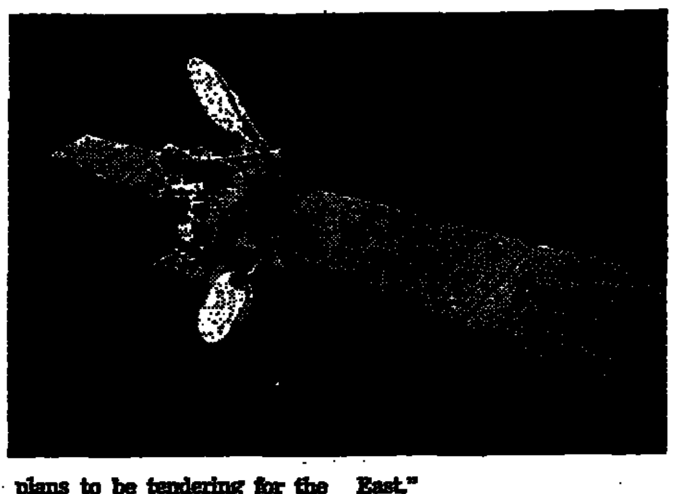
Europesat is supposed to *provide fresh capacity for* countries like France and West Germany after their national DBS satellites reach the end of their lives, as well as four countries producing DBS for the first time.

Jean Grenier: responding to demand

Enhanced television could be received via Europesat with 35-50cm dishes, while full HDTV could be picked up with 70-90cm dishes.

Further ahead, the organisation is in the early stages of planning the third generation of its Eutelsat satellites, to replace Eutelsat II in 1997.

Whether Eutelsat III will be high or medium power or a mixture largely depends on the final specifications for Europesat, says Mr Grenier, who plans to be tendering for the project in the next two years.



As for the needs to be answered by future generations of Eutelsat satellites, Mr Grenier foresees little change in the present overall balance of 70 per cent television usage and 30 per cent telecommunications.

But within that, the nature of individual services will change and grow dramatically.

Television will continue to be a strong growth area, in which Mr Grenier and his colleagues firmly believe the era of multi-channel broadcasting is here to stay. But in what form?

Unlike some observers, Mr Grenier does not see the future as a straight contest between *cable and* DBS – "all my career has taught me that there is no single technological solution in telecommunications – and the same is true of broadcasting.

"We have always made a cocktail of solutions.

"I believe very much in cable *for big urban agglomerations,* but there is also a place for direct broadcasting outside cities. They are complementary," he argues.

Eutelsat will be planning its future satellites accordingly.

As for the remaining 30 per cent of Eutelsat's business, Mr Grenier predicts: "The normal growth of telephone usage will continue, and be accelerated by our new members from the East."

More than 10,000 telephone channels are now in use on Eutelsat, expected to nearly triple to 27,000 by the end of the decade.

Meanwhile, the body has already taken its first step into mobile communications, with the launch of its Euteltracs system, a low speed message service designed to allow truck drivers to keep in constant touch with their bases.

It is as yet unclear how Eutelsat will be used for more elaborate mobile phones, which may possibly carry data as well, an issue Mr Grenier believes will arise towards the end of the decade.

Modelled on a similar US system, Euteltracs is expected *to attract 100,000 terminals by* 1997.

While this is a limited market, Euteltracs will provide a commercial use for the Eutelsat I *satellites for an expected* two years after they end their normal working life in 1995.

"The opening of frontiers for telecommunications services in Europe is creating a trend for public and private operators to work together both in their own countries and internationally.

"More services are being provided by multinational operators, which Eutelsat is very well adapted *to servicing,"* he says.

William Dawkins

Regular high definition TV broadcasts expected in three to five years

Battle for Japanese viewers

JAPAN Broadcasting Corporation (NHK) is a world pioneer in direct satellite broadcasting, thanks largely to generous government subsidies.

In addition, its technological leadership in revolutionary high-definition television (HDTV) means that NHK is poised to claim a strong position in a global market with almost unlimited applications looking to the 21st century.

But the deficit-strapped network is facing strong competition at home.

Starting from the spring of 1991, Japan Satellite Broadcasting (JSB) will start regular satellite broadcasting on one of three channels (the other two belong to NHK) on the new BS-3a, due for launching later this year on H-1 rockets, designed by Japan's National Space Development Agency.

JSB will be Japan's first private sector satellite broadcaster, and the only one besides NHK.

Set up in 1984, the consortium has authorised capital of Y28bn (Y19.7bn paid-in) and *has 194 of Japan's leading companies,* spanning the industrial spectrum, on its shareholder list. JSB may also eventually offer HDTV programs on a limited basis.

JSB plans 24-hour programming, some of it scrambled for *fee-paying customers only.* Programs will include the latest film releases on weekends and some weekdays. Music events, sports and entertainment will be broadcast at other times.

In the non-scrambled weekday morning hours, anybody with a TV set can watch JSB's news and other information-type programmes.

While JSB clearly intends to entice NHK subscribers over to its side, the public broadcaster is trying some innovation of its own. In October, NHK plans to start broadcasting a domestic business news programme, entitled Tokyo Business News.

The programme, which may be co-produced with a foreign wire service, will employ foreign broadcasting professionals, some of them full-time, which will be expensive – "that's my headache," NHK's DBS Director Yoshihisa Hayashi says.

"*Honestly speaking,* we have not produced a programme for the foreign market yet. It's the first experience of that kind, so we have to invest," he says.

At home, however, NHK's Channel 1 mainstream 24-hour-a-day DBS programming for domestic viewers, which features direct, un-edited, foreign sports and news broadcasts, is already a big success. The number of subscribers has soared from 1.5m a year ago to over 2.35m.

Music and foreign films have been been a big success, too. *Hayashi says both* domestic and foreign-produced movies, starting daily at 10 PM on Satellite Channel 2, are the underpinning for DBS's overall success.

NHK's advantage in broadcasting un-edited music events *has also given it* a boost since NHK is not constrained by expensive air time like the commercial channels.

"Programming is everything," he says.

Fortunately for viewers, reception of both NHK and JSB signals is possible on the same receiving equipment. But since JSB uses a scrambler, an addi*tional decoding device* will be needed, according to a Ministry of Posts and Telecommunications spokesman.

NHK's experience and technological pre-eminence in DBS did not happen overnight, but the country's ragged, mountainous terrain and scattered island present an excellent incentive to perfect DSB systems.

Japan's first private sector satellite TV service will show the latest foreign films, plus 24-hour programming on three channels

The original impetus for NHK's satellite broadcasting programme was to reach remote areas and to improve reception. After a dozen years of research and development, the network launched its first *experimental satellite, called* BS, in 1978, in co-operation with NASA in the US.

The network started direct satellite broadcasting in Japan in 1984 with the launch of its BS-2a satellite, followed by the BS-2b two years later – the *start of transmission* on two satellite broadcast channels. In July 1987, Y5 started 24-hour programming on one of the two channels.

But the enormous initial investment required for setting up DBS poses a formidable challenge. NHK's operating costs for DBS in the budget for FY1990 are Y30.6bn.

The public broadcaster will also pay 39 per cent of the total Y78.4bn costs to launch BS-3a and BS-3b this year and next, respectively.

In April, NHK boosted its monthly terrestrial fee for colour TV users by 30 per cent, to over Y1,300 per month. The network charges a *flat* Y930 per month for its DBS service. Resistance to paying the satellite fee, though not organised, has reportedly been stronger than expected from people who say they don't watch – or who receive DBS on cable TV, *instead of a satellite dish on* the roof that NHK fee-collectors can easily spot.

JSB subscribers will have to pay Y27,000 to contract with the consortium for a decoder to unscramble satellite signals. In addition, they will pay a fee of Y2,000 a month.

JSB aims to secure a paying subscription base of 10 per cent (400,000 households) of all DBS households to start with; after two years its goal is 2m homes, and by 1997, JSB estimates it will have attracted 50 percent of all DBS households, or 6m *households.*

In addition, JSB will benefit from air-time advertising revenues. But the real pay-off in DBS is still years away, when HDTV comes into regular home use. NHK started research on HDTV in 1970, ten *years after the introduction of* colour television sets in Japan.

While converters for reception of HDTV signals on ordinary TV sets have been on sale, commercial integration with satellite converters is yet to come.

HDTV is still experimental, with NHK doing daily one-hour satellite broadcasts from 2 to *3pm. But HDTV* receiving equipment is still priced beyond the reach for most people. The current cost are around Y3m to Y5m, and is expected to fall to around Y1m when production volume reaches around 10,000 per month, an NHK spokeswoman says.

Regular HDTV satellite broadcasting will likely begin in three to five years, Hayashi says.

But first, *satellites* have to be in place to transmit HDTV signals. The loss of two BS-2X *back-up satellites in February* when an Ariane rocket booster blew up shortly after lift-off, did not deliver a direct blow to HDTV plans, but could retard the schedule.

"The significance of the explosion is that one more alternative to lifting broadcast satellites was crossed off the list," says Mike Jeremy, an analyst at Baring Securities.

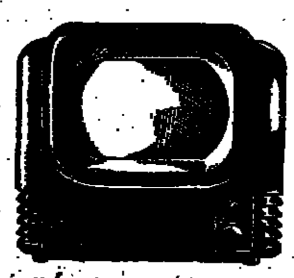
There cannot be any HDTV until satellites are launched and – satellites cannot go up on time because of a shortage of lifting capacity, due to a *queue of bidders* for the remaining launches.

On the other hand, the delay may give NHK some needed breathing space to get its programming sorted out. According to Masami Fujino at SBCI Securities, the network has a *shortage of software* "because its programme-making capacity is limited."

NHK is now trying to remedy the shortage by re-editing existing programmes, and by accumulating software and rights to broadcast in anticipation of *HDTV*, she says.

Chris Perry

WE'RE IN PERFECT SHAPE FOR THE FUTURE



"It will never get off the ground"

In the days of the Bakelite box, satellite TV was considered pie in the sky. A science fiction fantasy.

Informed opinion in the communications industry itself said that it would never be viable. The intricacies of satellite technology and massive launch costs were strictly for superpower budgets.

Many were sceptical too about the possibilities. Fortunately, not everyone in the industry took this dim view of satellite TV.

"Satellite TV is now dawning on most people"

In early 1989, Europe woke up to 16 channels of extra choice from the ASTRA satellite. Programmes offered by a diverse group of owners, competing to offer viewers a wide range of choice on a single dish.

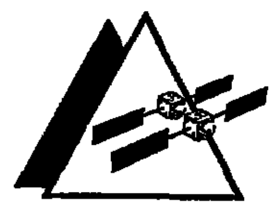
Science fiction had become science fact.

One glance to your left shows that ASTRA already brings viewers the best choice on TV. And one glance at ASTRA's pan-European footprint showed advertisers, programmers and investors alike, an audience size that was, so to speak, out of this world.

The industry had never seen anything like it. By the end of April 1990, it was estimated that over 700,000 homes in the UK had ASTRA dishes. This number is increasing by approximately 70,000 per month.

Together with cable television, over 1.3 million homes in the British Isles are already equipped to receive ASTRA. There are 14 million across Europe. All within 15 months of launch. Today, dishes are selling faster than VCR's, CD players and colour TV's ever did in their launch periods.

An independent survey shows that 33% of viewing time, in homes with satellite TV, is already devoted to watching satellite channels.



"It always pays to take the long-term view"

ASTRA is more than a satellite. It is the first phase of a comprehensive communication system that will be increased, offering expanding diversity to viewers and increasing opportunity to new broadcasters.

This year, a second ASTRA satellite will be launched, doubling the ASTRA system to 32 channels.

All ASTRA satellites will occupy the same position in space. So viewers will be able to use the same ASTRA dishes and receiving equipment without the need to adjust dish position. And allowing those with new ideas to reach an ever-growing audience.

Viewers will have an increased choice of specialised and general interest services. Local authorities, managing agents and cable franchise holders will be able to offer the same choice to residents in blocks of flats and housing estates. From a single, easily installed communal dish.

ASTRA's operating company, Société Européenne des Satellites, will continue to provide practical down-to-earth help . . . working with hardware manufacturers to ensure that ASTRA compatible equipment remains widely available, providing retail support campaigns, installer training and consumer information.

New TV technology itself will produce its own momentum. The capability to offer simultaneous transmission in more than one language creates a television networking opportunity that truly tears down frontiers.

Viewers can be targeted in the UK alone or across Europe. Transmissions can be clear or scrambled. In PAL or MAC. And in stereo.

In fact whatever future technology appears on the horizon, ASTRA is ready and waiting.

Certain channels shown are not available throughout Europe due to copyright restrictions.

FUTURE PROOF

ASTRA
MORE CHANNELS
MORE CHOICE

Société Européenne des Satellites Château de Betzdorf L-6832 Grand Duchy of Luxembourg Tel: (352) 717251 Fax: (352) 71725324/227 Tlx: 60625 astra lu

Surprising turnaround in the world's biggest media market

A surge of confidence in the US

FOR YEARS, direct broadcasting by satellite has been a dead idea in the largest media market of them all – the US.

As long ago as 1983, Indianapolis was the unlikely centre of an American DBS experiment when a company called United Satellite Communications launched a home dish-subscription television service. It didn't survive long.

About the same time, Mr Rupert Murdoch, chief executive of The News Corporation pulled out a DBS venture, despite having already leased five channels on a communications satellite for around $75m.

A third major player, Comsat, the satellite communications company, ordered two high-power DBS satellites for launch in 1986, but in the end decided that however much the organisation believed in the long-term viability of DBS in the US, at that time the risk was unacceptable high.

The reason for the widespread caution were obvious enough. There was already satellite television in the US – lots of it – but it was being delivered by low-power satellites direct to expanding cable television networks.

In addition, a million or so households in outlying areas were happy to put up large dishes in their backyards to eavesdrop on existing satellite

A new DBS consortium, called Sky Cable, aims to deliver no less than 108 channels of television to flat napkin-sized aerial dishes by 1994. The service could potentially reach 91m households

television channels. To add to the bleak commercial outlook for DBS, there had also been an expansion of local independent television stations and, after a slow start, a rapid uptake of video recorders and spread of local video rental stores.

Incredibly at what appears to be a time of ferocious competition for the eyes of the American viewer, DBS seems to be on the verge of an amazing comeback – and Mr Murdoch is once again in the vanguard.

In February, a consortium made up of News Corporation, National Broadcasting Company, the US network broadcaster, Cablevision, the cable television operators and Hughes Communications announced the creation of Sky Cable – a DBS venture, despite its name – that could ultimately cost $1bn.

The aim is nothing less than the delivery of 108 channels of television to flat napkin-sized aerials dishes by 1994.

To the consumer the total cost of the equipment would be around $300 and eventually there would also be the prospect of high definition television and digital stereo sound.

The venture depends on futuristic technology – the 108 channels would be squeezed out of a 27 transponder satellite system using digital compression techniques – and some in the industry are sceptical whether the technology will be ready on time.

So far, the partners have only signed a memorandum of understanding. At the announcement of Sky Cable, Mr Murdoch said he had great confidence in the proposed Hughes technology which "should break new ground for future entertainment and information transmission standards."

If Sky Cable ever does get off the ground, it could bring multi-channel television to the 40m or so US homes which are unable to subscribe to cable television or who choose not to, at the moment. It could also greatly intensify the already enormous competition in the US television market.

Mr Mark Fowler, former chairman of the US Federal Communications Commission, now representing Hughes as a private lawyer in the Sky Cable deal says he is "high" on DBS because of its great economic efficiency compared with cable.

"Here we have a $1bn system that can theoretically provide 108 channels to the 91m TV households in the continental US. It is the most efficient and effective means yet to ubiquitously provide video and data to any point in the US," Mr Fowler said.

Apart from carrying new programme services, Mr Fowler believes it would make financial sense for existing cable channels such as ESPN, the sports channel, also to be carried on Sky Cable and perhaps reach an additional 10m homes – "Comsat was proposing three channels, 27 is sufficient. Multiply that by four – and then it's an enormously more attractive business. It really does look like a very large cable system in the sky," added Mr Fowler.

Other American businessmen are pursuing other satellite entertainment possibilities. Entertainment Made Easy, a start-up company in Denver, Colorado plans to launch a video-on-demand service in November. The company plans to offer film rental from space at a price competitive with the local video rental store although the special receiving equipment and adapted video recorder would probably cost between $1,200 and $1,500.

Subscribers could only watch the film twice because on the second showing the film is automatically erased. Downloading time for a 100-minute films would be about 10 minutes.

Yet another DBS plan is perhaps more substantial that the Denver operation. GE American Communications and nine of the largest cable television operators, including the largest of them all Tele-Communications, also of Denver are involved in a 10 channel $100m satellite television project.

The service which could begin testing as early as this summer is aimed initially at rural areas which are not cabled. It will use an existing satellite to turn seven local television stations into "super stations" in the Ted Turner mould by beaming them nationally. In addition, there will possibly three pay-channels.

If the venture is a financial success it could be upgraded at a later date with high power television satellite to provide the sort of service that might rival Sky Cable.

Compared with the tense commercial battle going on in the UK between Sky Television and British Satellite Broadcasting, or even the progress being made by direct-to-the-home television in Japan, the US clearly has still a long way to go.

But for the first time in more than five years, DBS is definitely in the air in America and the result could transform the US television industry before the middle of the decade.

Raymond Snoddy

French authorities press ahead with a technological gamble

'A burning obligation'

FRANCE'S direct broadcasting satellite, TDF1, has been in orbit for 18 months now, but the television and radio broadcasters who have been awarded channels on the satellite are not exactly hurrying into the fray.

The situation of TDF1 may no longer be "perfectly hateful," as Mr Michel Rocard, the Prime Minister, described it in 1988 when he discovered how deep was the financial hole into which the satellite broadcasting project had dug itself.

Everything is not, nevertheless, coming down roses, and technical difficulties, such as the permanent breakdown of one of the satellite's channels, have not helped matters.

La Sept, the state cultural TV channel, was the first to start broadcasting full-time, and continues to do so in stately splendour. Euromusique, a music station, started up last month, for the time being in full time occupation of the band of TDF1 which it is due to share with the Canal Enfants children's channel.

Canal, the highly successful ground broadcast pay-TV station, is, meanwhile, carrying out a few test broadcasts from TDF1.

Three radio stations – Hector, Victor and Radio France Internationale – are also on the air, but they have the advantage of having something to broadcast to; the television stations face the usual problem of breaking into the market – no-one wants to buy an expensive antenna when there are no programmes, and no-one wants to start broadcasting when there are no antennas.

Up-to-date figures are not available, but the Conseil Supérieur de l'Audiovisuel (CSA), the latest in a long series of French broadcasting authorities' estimates that France had around 14,000 antennae at the end of 1988.

That figure is slightly stimulated by demand for the La Cinq and M6 channels, which could only reach 61 per cent and 49 per cent of the population respectively by their main ground broadcasting method.

Canal has taken the lead in coming to grips with this problem. Last October, in partnership with Compagnie Générale des Eaux, the water and services company, and with Thomson, the state-owned electronics group, it took control of Antennes Tonna and its subsidiary Tonna Electronique in a deal valued at FFr500m.

Michel Rocard: shocked by the cost of the satellite project

The move gives it the means to influence both the supply and the price of satellite dish aerials, as it previously did on decoders through a joint venture with the electronics group Sagem.

"The future of television will pass through satellite and cable... only these two media are really capable of carrying high definition. Industrialists, who have other legitimate preoccupations, have not always taken enough account of the prospects of this coming market, so Canal has had to intervene directly, to fill the gaps," said Mr André Rousselet, the station's chairman.

Canal believes a third of its existing 2.9m subscribers would be ready to subscribe to satellite television on the terms it is able to propose.

The CSA, however, has also taken a number of decisions designed to help the TDF1 channels to start up, before they are ready to survive by satellite alone, by encouraging cable television operators to take the TDF1 channels on their networks, but also by making available new ground broadcasting wavelengths.

Two of the groups awarded channels on TDF1, Canal Enfants and Euromusique, said when they put forward their candidatures that their projects' financial viability depended on the attribution of a conventional wavelength for parallel ground broadcasting.

La Sept, the state cultural channel, put forward a similar demand somewhat later, but has now obtained access to the conventional airwaves by being allowed to take over the state regional network FR3 on Saturday evenings – to the annoyance of FR3, which sees La Sept's distinctly serious and highbrow tone drag down its audience figures on one of its prime evenings; it also annoys the Broadcasting Minister, Mrs Catherine Tasca, who regrets the loss of FR3's previous family-oriented Saturday night programming.

The issue of a pump-priming conventional frequency – France's seventh – has been hotly debated. Lyonnaise des Eaux, France's second largest water and services company, which is one of the leading cable TV network operators – though it is also a shareholder in Canal Enfants – has vigorously opposed the creation of a new conventional channel on the grounds that this would compromise the already shaky start-up of cable TV.

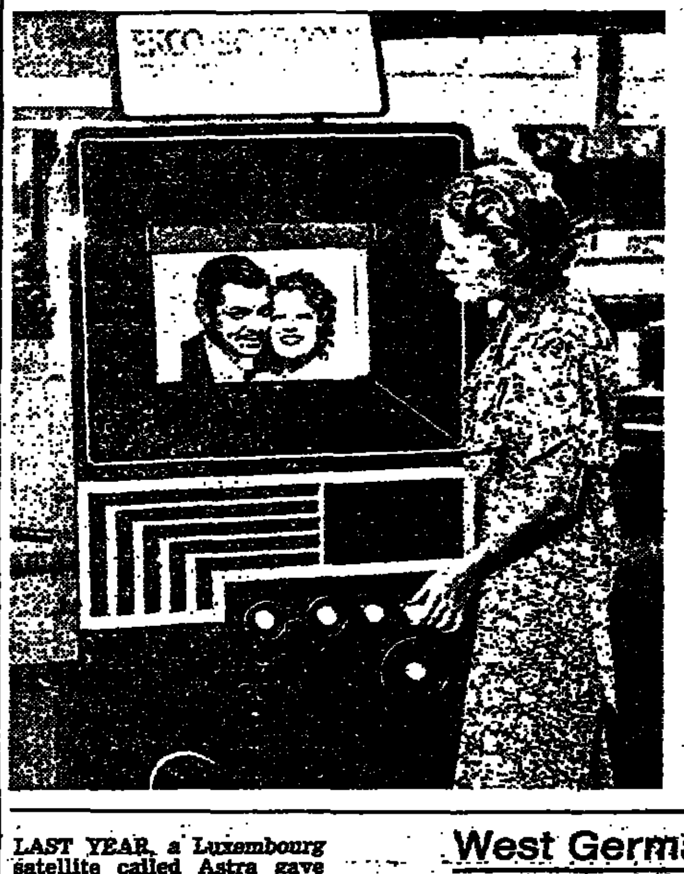
Nevertheless, the CSA decided to call for candidates for a new coded TV channel covering the Paris region, broadcasting on a frequency previously used by the armed forces and reaching a potential audience of 3m, and for another channel, also coded, to reach an estimated 8m viewers in 22 urban zones outside Paris.

These tenders are open to other candidates than the TDF1 club, but television specialists believe the TDF1 channels start as favourites in the beauty contest. The CSA concludes, however, with what may not be exactly optimism, but is at least determination to carry on.

"Like every technological gamble, the direct broadcasting satellite is not without its risks. The loss of Channel 1 on TDF1 and, even more, the difficulties of the German satellite TV SAT1, bear witness to this.

"Because of the importance of the stakes, carrying off the gamble is, nevertheless, for France and for Europe, a burning obligation," it concluded in its annual report.

George Graham



■ ADVANCES in television technology - pictured, above, is one of the latest designs for high definition colour television sets, in bold contrast with a bulky black and white TV receiver, proudly displayed at Radiolympia in 1936. In fact, the picture on the screen was a still photograph and not an actual TV image, which would have been far less clear. Today, news pictures are beamed around the world via satellite — a masked television crew from Worldwide Television News in London is pictured, right, during riots in Seoul, Korea. Big strides are being made in picture quality — in the US, Japan and Europe the race is on to launch high definition satellite TV broadcasts.

West Germany stakes a claim to satellite independence

New option for networks

LAST YEAR, a Luxembourg satellite called Astra gave Europeans a new means of television reception with dish antennas. It also started a race for space and direct satellite services, which has transformed broadcasting in many countries – including West Germany.

Following Astra's launch, West Germany staked its claim to satellite independence with Kopernicus and TV-SAT 2. Television programmes previously transmitted using the international transponders of Europe's "hot-birds" – Eutelsat and Intelsat – were broadcasting using German satellites.

The new Kopernicus generation of telecommunications satellite provides 13 channels for the West German area, while TV-SAT 2 does the same for direct reception with dish antennas, with five channels.

The possibility of reaching more viewers via satellite has opened new options for networks and increased competition between those offering the services. While Astra gives a new European dimension to direct transmissions via satellite, TV-SAT 2 and Kopernicus allow West German networks better access to their own country. It is all very good business, especially for those providing the facilities – like the West German Federal Post Office. For every transponder, the Post Office gets $11.65m a year for basic fee.

There are broadcasters, who say that a contract with the Post Office is like a pact with the devil. For more than a year now, the magic phrase is not satellite, but rather 'over-the-air transmission.' Channels find they increase the number of viewers dramatically with access to terrestrial frequencies.

"Satellites are necessary for cable television," says advertising analyst Wolgang Hainer. "But market-growth is slow. What counts now is fast access to more people. What good is cable, if no one watches it?

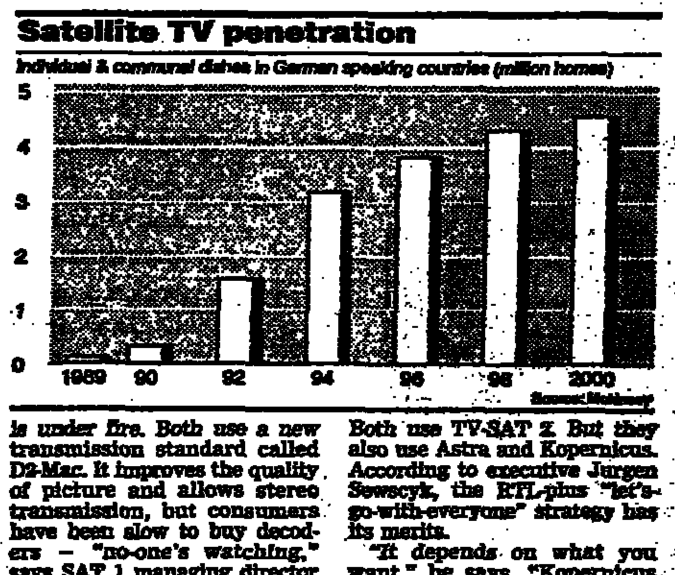
That question is also haunting the German Post Office, which has a monopoly on telecommunication. After ten years of development and construction, the German/French joint direct satellite venture which manufactured TV-SAT 2 and a French sister called TDF is under fire. Both use a new transmission standard called D2-Mac. It improves the quality of picture and allows stereo transmission, but consumers have been slow to buy decoders – "no-one's watching," says SAT 1 managing director Jurgen Doetsch. "It's a blindmans television."

SAT 1 and RTL plus are understandably concerned. Both use TV-SAT 2. But they also use Astra and Kopernicus. According to executive Jurgen Sewscyk, the RTL-plus "let's-go-with-everyone" strategy has its merits.

"It depends on what you want," he says. "Kopernicus and TV-SAT 2 take smaller dish antennas than Astra. But if you are looking for a multilingual satellite transmissions, with a good mix of sport and feature films in more areas of Europe Astra is better."

Satellite TV penetration

Individual & communal dishes in German speaking countries (million homes)



Positive thinking may just help RTL plus and SAT 1 over a sore point. To gain access to terrestrial frequencies both commercial networks signed an agreement with State regulators to use TV-SAT – "it's an old contract we'd like to change," Sewscyk says.

Kopernicus is another story. The new generation medium power satellite is booked solid. The initial advantage over German/French direct satellite is the standard. It will have capability to send German television standard PAL.

Among those networks to jump ship – rather, satellite – are West German commercial networks Tele 5 and Pro 7. But according to Pro 7 spokesman Gerhard Pierner, dangers lurks in placing too much emphasis in satellite technology – "we'd prefer getting terrestrial frequencies," he says. "But we'll grasp any chance to increase the range or broadcasting."

Others grasping the chance via Kopernicus are regional public broadcasting West 3, Bayern 3, national public cable network ARD spin-off Eins Plus and a joint Austrian, German, Swiss channel called 3Sat. Kopernicus will also act as a back-up for TV SAT 2, which has major networked RTL-plus, Sat 1, ARD and ZDF aboard. One Kopernicus advantage is the potential of reaching people in Spain, Italy, England, Czechoslovakia and Norway. According to Franz Hiergeist, technical advisor for the German Post Office, demand for Kopernicus channels is overwhelming.

West Germany could use a little success with its satellites. Only last year, a defective solar panel in the country's first DBS satellite TV SAT 1 made the $300m project a flop.

TV-SAT 2 did better than its hapless predecessor which was a write-off after a solar panel failed to open.

Plans to broadcast ARD and ZDF over TV-SAT 2 could give it "renaissance" according to RTL executive Sewscyk – "a new antenna has been developed for the top of tv set... should that become known, TV-SAT 2 could become very attractive."

Don Lewis Kirk

Scandinavian channels

Concern over revenues

COMPETITION among the Scandinavian-language satellite TV channels is increasing with the expected inauguration on September 15 of TV 4, the third main challenger in the market.

But there are growing doubts whether there is enough advertising revenue in Sweden, Norway and Denmark to support all the Scandinavian channels, which include TV 3 and Nordic Channel, at a time when commercial restrictions on the national TV channels are crumbling.

The Scandinavian satellite channels, which are mainly supported by Swedish interests, have benefitted so far from a ban on TV advertising in Sweden and Norway.

But Sweden's Social Democratic Government is expected to propose in June to allow commercials on one of the two state-run channels and permit the establishment of a third, private ad-supported channel.

Satellite broadcasters, including pan-European ones, have so far captured about 10 per cent of the SKr28bn that is spent on advertising in the three countries. They expected the percentage devoted to TV advertising to climb as the number of households able to receive their signals grew from the present one-third of Scandinavian homes. But the national channels look set to take a considerable amount of advertising away from the satellite broadcasters, which could force at least one of the Scandinavian channels to close down.

The situation is ironic since the existence of the satellite channels forced the Nordic governments to concede that their prohibition on advertising over the airwaves is no longer enforceable, paving the way for their acceptance of commercials on the national channels.

Despite it being the latest entrant to the market, TV 4 may be prove to be the strongest competitor. It has considerable Swedish financial backing, including the Wallenberg financial group (33 per cent), the Swedish agricultural co-operative movement (25 per cent), the white collar workers' pension fund SPP (25 per cent) and the publishers, Natur and Kultur (17 per cent). While its investors span the Swedish social spectrum, the SKr500m TV 4 project has also curried favour with the Government by agreeing to broadcast over the Tele-X direct broadcast satellite, a pan-Nordic project that has turned into a "white elephant."

Originally designed to distribute the programming for the state broadcasting organisations of Sweden, Finland and Norway, the project suffered a setback when the latter two nations pulled out for lack of funds.

TV 4 is betting on attracting advertising because of its emphasis on offering original Scandinavian-language programmes, which will account for at least 60 per cent of its schedule, instead of the imported American and British shows that dominate the other two Scandinavian satellite channels.

It is taking Britain's Channel 4 as its model in relying on independent producers, mainly in Sweden, to supply the programmes.

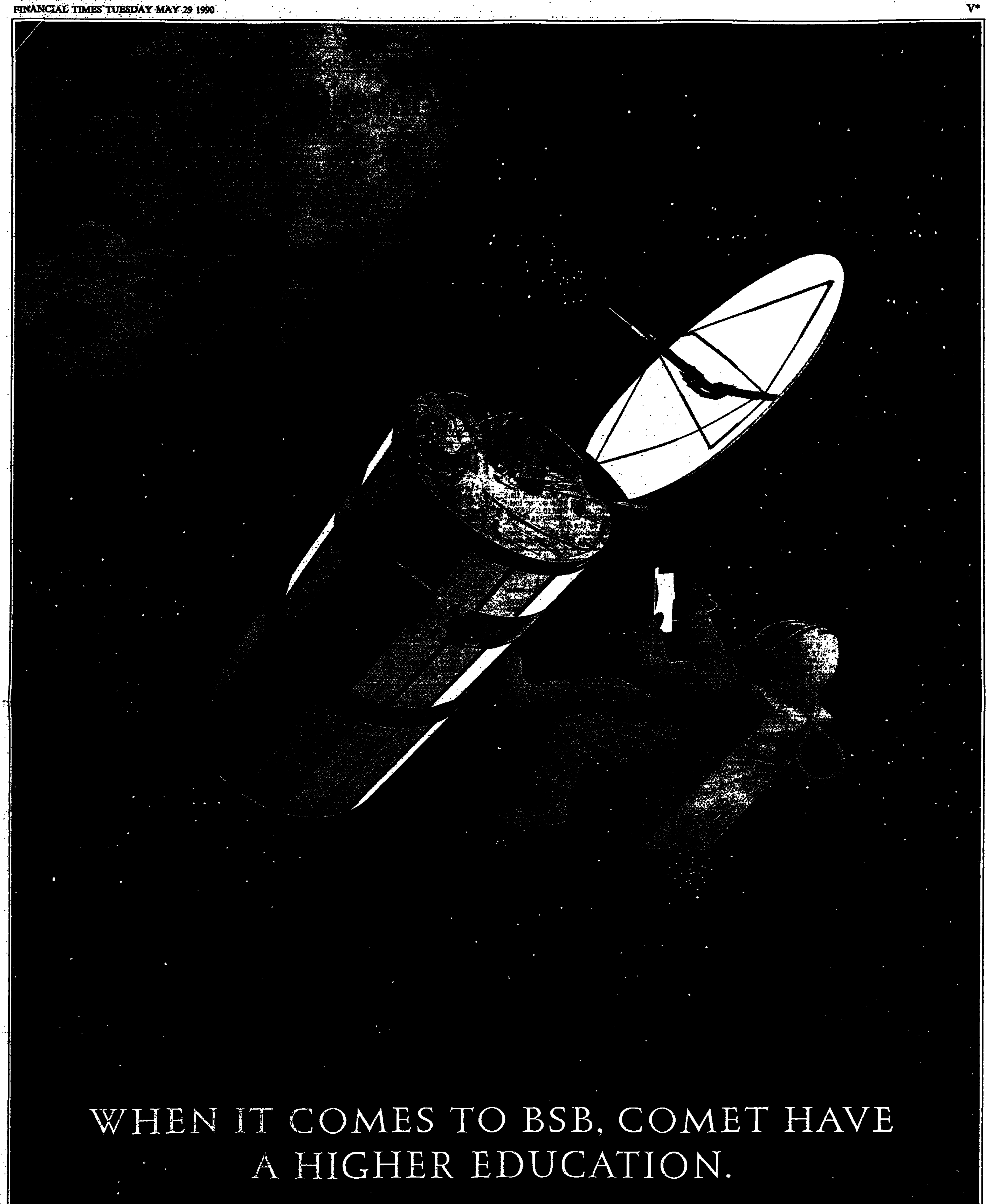
One sign of its clout is that TV 4 has succeeded in hiring some of the best journalists from Swedish Television for its news staff. TV 4 represents a threat to the media ambitions of Mr Jan Stenbeck, the president of the Swedish investment company, Kinnevik, which launched TV 3, the first Nordic satellite channel, in 1988. TV 3, which broadcasts over the Astra satellite, has so far proved successful.

Kinnevik is now negotiating with several Swedish media companies about establishing an independent production company that would supply original programming to TV 3.

The channel is also planning to segment its broadcasts by national markets, instead of treating the Nordic area as a single market, as it does now. This is expected to increase advertising revenue. Separate broadcasts will begin with Denmark, where Danish-language programmes will be broadcast over Intelsat-V.

John Burton

هكذا من الأصل


WHEN IT COMES TO BSB, COMET HAVE
A HIGHER EDUCATION.

More business news channels are on the way in Europe and the US.Pictured above is the main newsroom of CNN in Atlanta, Georgia — CNN, in a joint venture with the Financial Times, is launching "World Business Tonight."

Brighter prospects for cable television in the UK

US investors show interest

Frenetic activity in the franchising process is far from matched by the number of subscribers signing-on, says RAYMOND SNODDY

ANYONE WATCHING the rate at which cable television franchises are being awarded by the Cable Authority in the UK could gain the impression that after 10 years in the doldrums, boom times had arrived at last for cable television.

Scarcely a week passes without some part of the country being carved up and handed over – often to a large US cable operator intent on expansion or one of the regional Bell telephone companies. On May 17, for example, four franchises were awarded covering around 900,000 homes in the Manchester, Bury, Rochdale, Wigan and Stockport areas.

Without exception, the prime financial movers in the successful consortia were American and they ranged from cable operators such US Cable and Masada to phone companies such as Pacific Telesis, Nynex and Southwestern Bell.

By July, when the Cable Authority awards its last franchises before being rolled up into the new *Independent* Television Commission, a total of 135 franchises will have been awarded covering 14.5m homes – two-thirds of the UK population – "we are therefore in the middle of a cable boom," Mr Jon Davey, director general of the Cable Authority announced earlier this year, although £4bn in investment will be needed to turn such a large number of paper franchises into cable networks in the ground.

It was a boom, Mr Davey conceded, that had very little to do with changes that had taken place in the UK – "it has almost everything to do with the situation in North America itself, where cable has matured into a successful cash-rich industry, and where the opportunities for *expansion have dried up*," he explains. The frenetic activity of the franchising process is still however, far from matched by the number of subscribers actually signing-on, even though there has been a considerable improvement in both the number and quality of channels with first Sky Television and then, in recent weeks, BSB adding to the cable programme menu.

Despite new programme choices, the penetration rate – the ratio of subscribers to number of homes capable of receiving the service – remained static at around 15.5 per cent. The number of connections to modern multi-channel systems rose from 87,062 on January 1 to 92,974 while the number of homes passed by cable networks rose from 557,193 to 599,737.

The highest penetration rate so far is at Swindon – 22.4 per cent – with 10,548 subscribers. Croydon in South London has a penetration rate of 21.4 per cent with 21,301 subscribers.

Much will now dependent on how much money is *actually sunk into the creation* of cable networks and how fast. Some industry sceptics fear some people have been applying for franchises in order to sell them on at a profit. Apart from the apparent availability of North American money the industry has two considerable advantages. Cable can deliver all the various satellite channels to the home without the proliferation of incompatible satellite dishes and Squariels.

Cable can also offer a competitive local telephone service and the US companies are clearly looking towards the day when they can form a federation of cable companies which could be a "third force" in telecommunications to British Telecom and Mercury.

At Windsor Cable Television, which has taken the lead in offering both a residential and business phone service, telecom revenues now equal revenues from the main television service.

Mr Davey has now no doubts about the prospects for cable in the UK – "I would suggest that the situation now *looks more encouraging than* at any time in the past," he says.

Della Bradshaw looks at developments in receiver equipment

Goodbye to those large white dishes

WITH the influx of multi-media services, satellite television dishes are finding their way on to domestic and commercial buildings all over Europe. And with their popularity comes revenues for the manufacturers of the dishes, receiving equipment and the decoders, which are needed to decipher the signals which have been scrambled to prevent unauthorised viewing.

Two years ago, British Satellite Broadcasting, in which Pearson, publisher of the Financial Times, has a stake, looked to be inching ahead in the publicity battle to develop the most aesthetically pleasing satellite dish. The sophisticated shape of the square-shaped "squarial" promised to be right dish for the more upmarket home. Beside it the larger round dish designed to pick up the Sky television signals looked outdated.

But technical problems in developing and manufacturing the squarial meant that when BSB launched its service in April there were simply not enough dishes to go round. That dearth of equipment should be over by next month, says BSB, when anyone wanting dishes and electronics to receive their programmes *should find them freely* available in the high street shops.

But a head start into the market and hard-hitting promotion have meant that Sky has now stolen a substantial lead, with more than four million people now tuned in to its programmes in about 1.5 m homes. Thirty different manufacturers make the equipment to receive the Sky signals, with the Amstrad equipment selling better than the rest. BSB, on the other hand, has opted to entrust the manufacture of the receiving boxes and dishes to a number of selected equipment makers. Ferguson, Philips, Salora and Tatung are making the boxes and Channel Master, Marconi, Matsushita and STC the dishes – the latter two are making the squarial dishes.

The delay in getting the BSB equipment on the high street shelves was largely technical. Because Sky uses the Astra satellite which is classified as a telecommunications satellite, it was allowed to launch using an established technology – Pal (phase alternate line), which is the technology used in ordinary television systems in the UK, Germany and much of the rest of Europe.

But when Britain's Independent Broadcasting Authority granted BSB its *satellite franchise* it was on condition that it was based on a newer technology called Mac (multiplexed analogue components), developed by the IBA.

Variations on Mac have been adopted as the European standard by the European Broadcasting Union and the European Commission. BSB uses a derivative called D-Mac, the 'D' referring to the way in which data is transmitted alongside the pictures and sound.

Transparent, less obtrusive dishes are on the way

The divergence in technology has inevitably meant that equipment manufacturers will not be producing the equipment *in the same volumes as if* there had been a single standard for the UK market. And it has created problems for the consumers as well as equipment manufacturers.

Because the equipment operates to two different standards, two different sets of equipment – and two dishes on the outside of the house – are needed for consumers wanting to watch both BSB and Sky programmes.

Although some companies have developed motorised dishes which can be re-positioned remotely so that they trundle round to face the appropriate satellite, the television companies do not recommend this because it is difficult for one dish to pick up two different types of signals. The way the signals travel to earth varies – the BSB follows a *corkscrew path, for example*, the Sky signal does not. And they are transmitted at different frequencies.

But the good news is that the days of the large white dishes, which many people view as an eyesore, could be numbered. Several developments are on the way to help minimise the visual impact and to clean up the satellite dish's image.

Less obtrusive black mesh dishes are already on sale. And a UK firm has developed a dish that is almost transparent because it uses toughened glass which is impregnated with millions of fragments of metal. As a result, the satellite dish has the same reflective properties as the more traditional metal or fibre glass dishes, while being almost invisible from the ground.

New-style perforated dish from Amstrad.

UK programming challenge for satellite broadcasters

No easy options

The British television audience has become a comparatively sophisticated one, says CHRISTOPHER DUNKLEY

IN the area of programming, consider the following:

■ In Britain, unlike the US, there is no need for a viewer to take a satellite feed in order to watch movies uninterrupted by commercials: the ad-free BBC has always provided such a service.

■ In Britain, unlike large parts of Europe and the US, there is no need to take a satellite feed in order to get a high quality picture: the picture-standard delivered by terrestrial networks is excellent in 95 per cent of British homes.

■ In Britain, unlike some European countries, there is no need to take a satellite feed in order to watch game shows, soap operas, and popular American series: ample quantities are provided by the existing broadcasters.

The British television audience has, in fact, become a comparatively sophisticated one. For 35 years, British viewers have been able to watch either the programmes shown by the world's biggest and oldest public service broadcasting system (the BBC) or the programmes shown by a commercial broadcasting system (ITV), which, from the beginning, won ratings with the sort of game shows, comedies, and adventure serials at which its American big brothers always excelled.

Of necessity, the two sides learned one another's tricks: the BBC became a master of popular comedy and soap opera, and ITV became one of the world's most impressive commercial producers of public service material, from investigative documentaries to schools programmes.

Since 1982, British viewers have also had Channel 4 to dip into with its idiosyncratic mixture of old American series ('I Love Lucy,' 'Car 54 Where Are You?', 'Mr Ed') and special programmes for minorities, from sumo fans to lesbian mothers. Surveys have shown that British viewers express a high degree of satisfaction with their existing television channels. Thus, there are no easy options for British satellite broadcasters; no glaring gaps to fill.

Given the manner in which government-appointed bodies hitherto ensured that all British television provided certain worthy material in peak time – current affairs, news, regional programmes, arts series – there may be some mileage in abandoning such nannying, arguing that "no-one ever went broke under-estimating public taste," and offering instead a succession of down-market series.

The evidence on screen suggests that this may be close to what Rupert Murdoch's company is attempting on Sky One. Every weekday it shows 'The New Price Is Right' not once, but twice.

Every weekday it shows two of the hoariest American soaps: 'Another World' and 'As The World Turns' and an Australian soap, 'The Young Doctors.'

At weekends it is now screening remarkable quantities of so-called "all-in wrestling" (abandoned even by ITV) and such venerable American series as 'The Untouchables,' which began more than 30 years ago.

But the number of British viewers who want that sort of schedule, and are willing to pay the price of a satellite dish to get it, must be pretty small.

Far more reliable selling points will presumably be convenience and – if it really can be achieved with average production budgets so much smaller than those of terrestrial broadcasters – programme quality.

So far the evidence both from research organisations and personal contacts suggests that convenience (which is almost a synonym for "dedicated channels") is, overwhelmingly, the most important reason for acquiring a dish.

The full-time sports channels and, particularly, Sky One's coverage of the West Indies Tests, have clearly appealed to some heavy viewers, especially men.

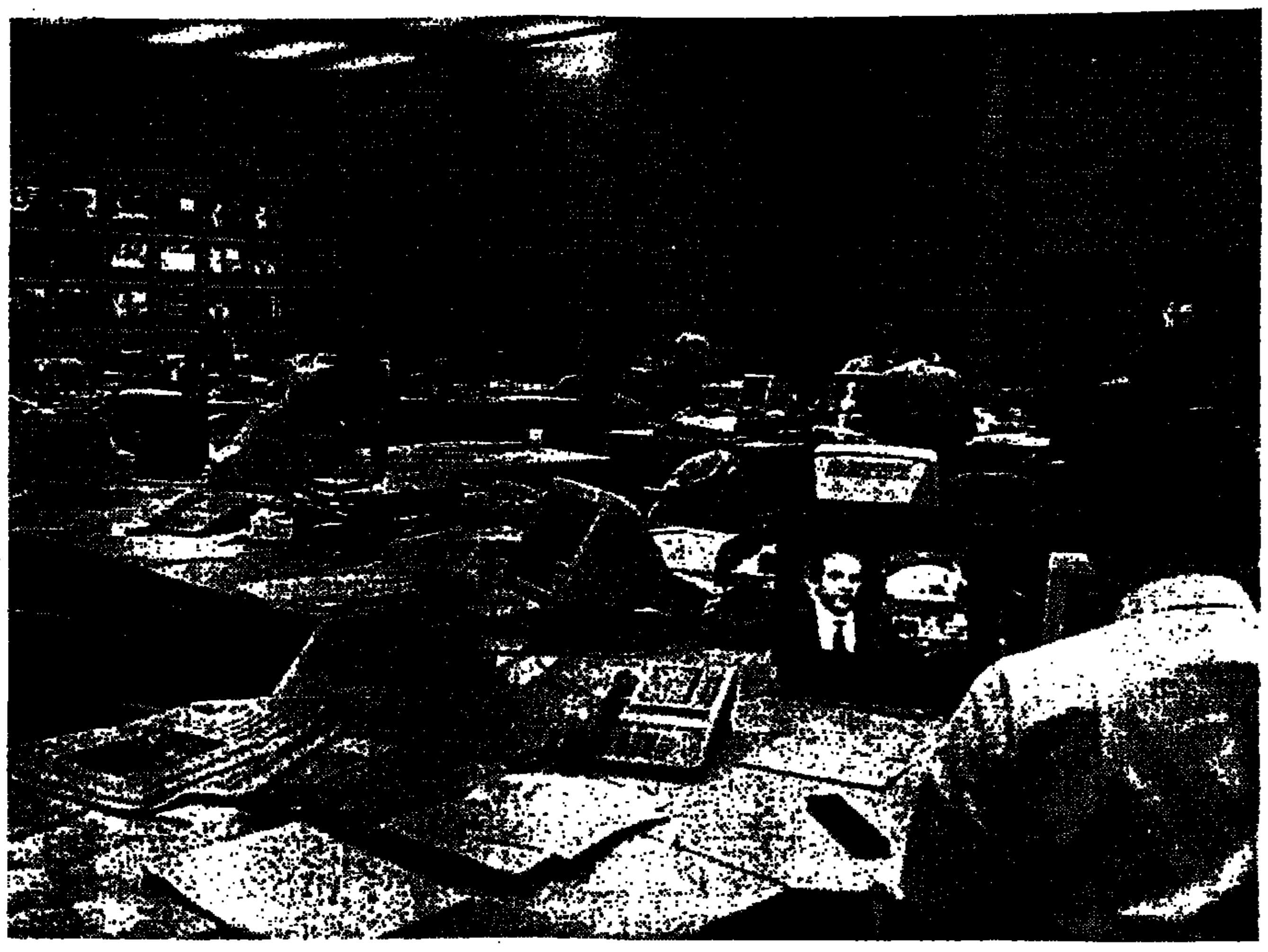
Lighter users in a different socio-economic group seem to appreciate the convenience of the 24-hour Sky News Channel. And children (younger rather than older) dote on the all-rock channel MTV, at least for the first few weeks after a household acquires a dish.

If a combination of that sort is seen as television's equivalent of Woolworth's verging occasionally on BHS, then it looks as though BSB is trying to be television's Marks and Spencer verging on John Lewis.

To feature David Bellamy, James Bellini, Sue Cook, Robin Day, and Selina Scott is to make a pretty clear statement about your role model and your intentions in terms of quality; and BSB's Director of Programmes, John Gau, declares that he welcomes comparisons with the BBC. What broadcaster would not?

However, the big question is whether there is going to be enough money in the coffers of the satellite services to make programmes of a quality which will not only draw an experienced audience away from its well-loved terrestrial channels, but will continue to hold them once it has their attention.

Only time will tell the answer, but it certainly will not happen quickly.



The newsroom at Sky Television preparing bulletins for the 24-hour Sky News Channel. Research organisations indicate that convenience of viewing 'dedicated' channels – such as news and current affairs – is a crucial factor in attracting new viewers.

Data broadcasting systems

A highly promising market

There is a myriad of business applications, reports DELLA BRADSHAW

IT MAY seem difficult to grasp that between the seemingly continuous pictures on, say, the evening news or your favourite soap opera, there is enough space to broadcast a whole host of other information.

But it is a technique that may initially generate more cash for sectors of the nascent satellite broadcasting industry than the cartoons or films which appear to be their mainstay products.

These data broadcasting facilities, as they are called, have become popular with terrestrial broadcast systems through teletext systems such as Ceefax and Oracle in the UK, where the data – the weather, say, or traffic news – is broadcast alongside the pictures.

But the potential with satellite systems is far greater. Mr Patrick Scott, managing director of DataVision, part of the British Satellite Broadcasting group, says that data broadcasting services will start making money "way, way before" the traditional television programme services – "we will start to cover our costs at the end of this year or early next," he says. "After that, we will be making our contribution to BSB to reduce their costs."

Mr Scott predicts that in five years' time, DataVision, which transmits both data broadcasting messages and business television programmes, could have an annual turnover of £100m a year. (Pearson, the owner of the FT, is a shareholder in BSB.)

For BSB, the potential of these services lies in the technology it has chosen to adopt. It will use the D-Mac transmission standard, rather than the Pal system used by Sky Television on the Astra satellite – and used on most terrestrial systems in Europe with the exception of France.

In theory, up to one megabit of data can be transmitted alongside each of the five D-Mac television channels – enough to transmit 25,000 words of text every second. However, the initial professional receiving equipment sold by BSB is designed to accept 64 kilobits of data per second.

Sky, by comparison, is using the standard Pal teletext technology to broadcast television schedules but does not have the capacity to send huge chunks of data, as does BSB.

In addition, Datavision is planning to broadcast live business television on the film channel in the morning – before the films come on the air. Included in that is a programme for computer users, made in conjunction with the British Computer Society.

Many believe it is these live business television broadcasts, rather than text broadcasts, that will be the cash generators. In the US, for example, the market for business television has grown from about 200 hours a year five years ago to about 30,000 hours today. One of the main uses is in marketing – giving out information and rallying the troops for a major product launch, for example – and crisis management.

However, Mr Scott believes that although the demand for business television transmission in the UK will build up quickly, it will then reach a plateau, limited by the production costs rather than the technology. The market for data services, on the other hand, will grow and grow, he says.

Proponents of data broadcasting in the UK believe it could be used for a myriad of applications, initially for companies with a number of branches, such as banks or high street chain stores – National Westminster Bank in the UK has already signed up to use the BSB service.

Other financial applications could involve sending messages out to all the banks and retail outlets when a credit card is reported stolen. Eventually the data could be fed directly into the memory store of the card 'swipe,' so preventing authorisation of a fraudulent payment.

Although these sorts of services can already be offered using traditional telephone services – such as fax, telex, or telephone lines – they are all two-way services, with the resultant extra expense. In addition, many companies only have the facilities to send the messages sequentially, rather than broadcast them. With data such as share price changes, the extra few seconds could be vital.

Initially a market for businesses, many of the companies believe data broadcasting could eventually become a mass market product, with every home equipped to receive data, such as a newspaper or even junk mail.

One of the main pushes to that end will come from DataVision, which is planning to incorporate modems to receive low-speed data in the box of tricks bought to receive the BSB television programmes. So the newspaper printed out at home, the butt of much futuristic humour, could be here within a year.

A FINANCIAL TIMES SERIES: Part 5

EUROPEAN FINANCE AND INVESTMENT

SPAIN

SECTION IV

As it tries to check its phenomenal growth, the country is gambling with economic gains made since joining the EC, says Peter Bruce. The central bank has imposed credit limits, but the austerity message is not getting across. Now, the unions are on the warpath, with pay deals outpacing inflation.

Time to pay the bill

WHILE BRITISH politics whirl around the poll tax and high interest rates, and West Germans huddle around *Stammtische* in bars discussing monetary union with the East, Spaniards are enjoying a sentimental luxury – politics without economics.

Citizens can sound off once again at great length about the issues of the day, without being able to multiply or divide. It means politics gets down to the man in the street without really affecting him.

It also means the Government is relatively secure, if there is any truth to the belief that only governments running failing economies do not get re-elected. Surely, if the economy were in trouble, someone would be talking about it?

Not in Spain. A visitor could be forgiven for believing that the government was indeed about to fall (along with the main opposition party), or that society was involved in some great ritualistic cleansing. But it is nothing quite so serious – simply, both the ruling Socialists and the conservative Partido Popular have become embroiled in fascinating corruption scandals, and for the moment at least old-fashioned numberless politics is making a comeback.

But the details are of only passing importance. Away from the colourful politics, there is another level of events unfolding that could have dramatic consequences for Spain, as it tries desperately to hold its phenomenal growth in check. The country is now gambling with many of the economic gains it has made since joining the European Community in 1986 – a sleepy Mediterranean economy suddenly has between $20bn and $30bn spent on its companies by foreign buyers. Its foreign reserves figure became one of the seven largest in the world, and its happy citizens are still panting to consume.

Not surprisingly, the Government and the Bank of Spain have taken fright. By early last year private credit was growing at a rate of 22 per cent a year. Inflation, at 6 per cent, was three points above target, and the supply of money hardly ever fell below its upper targeted limits. The Bank imposed a draconian credit regime on banks and on individuals or companies trying borrow abroad – banks have been given individual limits to their credit growth this year, and anyone who borrows money from abroad has to deposit between 20 and 30 per cent of it with the Bank of Spain and pay interest on the whole loan.

But the authorities have not got the austerity message across. This is less a failure on the part of the Government than a symptom of a Spanish disease – an inability on the part of the populace to make a connection between good times and the need to pay for them.

There has been a stampede to circumvent the credit restrictions. Although banks have been obliged to lend less – and car sales are down more than 10 per cent so far this year, compared with last – companies have suddenly discovered the corporate paper market. Experts estimate that, since last summer, Spanish corporations have issued about $10bn in bonds, either through the stockmarket commission or over the counter. This has almost doubled the size of a market normally left to large public companies. Other corporations have set up foreign subsidiaries to borrow cheap foreign exchange.

Neither the Bank of Spain nor the commercial banks will be sorry to see the end of the commercial-paper market, and fortunately for them it is being badly squeezed as treasury-bill and interbank rates converge. Inflation figures for March and April have been very encouraging, with the annual rate settling in both months at 7 per cent. Economists are beginning to talk confidently of a fall in interest rates.

The central bank would be happy to do its currency that favour. Ever since the peseta entered the exchange rate mechanism of the European Monetary System last summer it has been the strongest currency in the system. Although it joined on the same original terms as the Italian lire – fluctuating 6 per cent either way – it is trading at about 4 per cent above its entry rate and the Bank of Spain has given up any pretence of holding it to an imaginary 2.5 per cent band like the rest of the EMS currencies. One result of that strength is that Spain now has the highest trade deficit in the world after the US and Britain.

But any cut in interest rates could immediately be taken as a signal to start spending again. And cutting interest rates while maintaining the credit squeeze could quite seriously distort competition in the credit industry, because some big domestic banks have lighter restrictions than foreign banks and smaller Spanish ones. Earlier this year, the central bank was considering lifting its credit restrictions at the end of June or July, but the message has since changed dramatically – though inflation appears to be steadying, money-supply growth is not, and the squeeze will probably last until December. Only the reckless claim to know what will happen when it ends.

The banks will probably be falling over each other the moment they are allowed to lend money again, especially to private consumers. Last August, Banco Santander introduced Spain's first interest-bearing current account – breaking an unwritten rule between the country's big commercial banks to keep interest rates fixed – and almost all its rivals have since followed suit in order to hold on to customers. The ensuing spectacle has not been a pretty sight. It is common to hear bank chairmen praising their new 14 per cent current accounts and complaining the next day about how much they cost.

"Someone is going to get hurt," mutters Mr Carlos Martinez Campos, the president of Barclays in Spain, with typical understatement.

The banks have chased after new customers in order to be able to lend to them when the restrictions are lifted, and the Bank of Spain has actually had to welcome the deposits war as "good for competition". Mr Mariano Rubio, the governor, knows, probably better than anyone else in Spain, that consumer demand, far from being dampened, has simply been bottled up, and the sight of government and trade unions chumming up again after three years of discord must be deeply unnerving for him.

This is where the danger is. While the monetary authority is trying to soak up cash, the Government may be about to give a lot away. In December 1988, the country's two big unions, the communist-led Comisiones Obreras (CCOO) and the bigger socialist UGT, staged a successful one-day general strike against the conservative drift of Socialist government economic policy. Prime Minister Felipe Gonzalez appeared soon afterwards to discard the UGT. In last October's general elections, however, the socialists lost more then half a million votes to the left, largely because of their failure to come to terms with the unions.

This year, Mr Gonzalez has gone out of his way to appease the UGT and, by default, the CCOO, and has already agreed to union demands on minimum salaries and pensions worth some $3bn. In addition, the Government granted the unions a hugely important concession by allowing them to view all hiring contracts between employers and workers. The law says that some jobs are permanent by nature, and the unions claim employers try to hire too many temporary staff. If the employers fail to beat down the measure, unions control over the jobs market could be greatly enhanced: "It means that if I want a secretary I might have to call the union," complains a banker.

That is an exaggeration, but the unions are on the warpath. Wage settlements are averaging around 8.5 per cent – a full point and a half higher than current inflation – and the International Monetary Fund has warned that Spain now risks sliding towards recession, unless pay deals can somehow be linked to productivity, as the Government plans to try to do. Industry cannot swallow an overvalued peseta, high interest rates, scarce credit and expensive wage deals for too long.

It is impossible to say how tough Mr Gonzalez might be with the unions as the two sides negotiate in the next few months, but it is clear that the stakes, for Spain, are high. Unless the country pays for 8 per cent or 9 per cent wage increases, it could begin to choke on its own medicine.

The man with the power

■ THE CONCLUSION to the succession crisis at Banco Bilbao Vizcaya (BBV), the country's biggest private bank, was a good demonstration of the wide influence of the governor of the Bank of Spain.

Invited by the bank to make recommendations, Mr Mariano Rubio (*above*) effectively appointed BBV's chairman and two deputy chairmen; outlined the bank's senior management structure; and put forward reasons why 10 members of the BBV board should resign their directorships and be replaced by five new board members who, he specified, should be "neutral".

□ The full story is on page 5 of this survey

ALSO IN THIS SURVEY

Editorial production: Martin Davies

The economy: inflation is slackening, but the money supply is up, as...

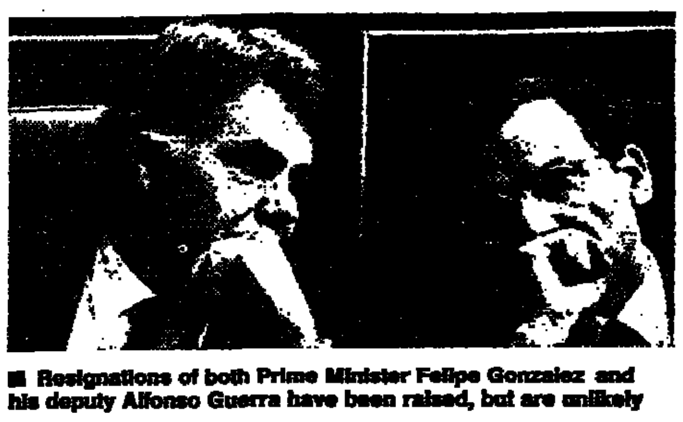
The recovery begins to teeter

BEING SWEPT along by the Spanish economy is a little like sitting in the back of a big American car reading a comic. It's great fun but it can make you sick.

Life must be a little scary now for the people trying to wrestle Spain's economy down. Mid-way through May, the Government was able to announce what could be an important milestone in its fight against inflation; prices in April had risen just .02 per cent, to hold annualised inflation at 7 per cent for the second month in a row. That means prices are now rising at exactly the same rate they were last year.

That was the comfortable part. A few days later, the Bank of Spain let it be known that its broad-measure money supply (ALP) had grown 16.5 per cent in April – more than the "disastrous" 15.7 per cent recorded last June, which had led the Bank to impose tough credit restrictions – and that credit to the private sector (including individuals) had grown 20.7 per cent in the same month.

All this is happening as the Government and trade unions sit down together to try and work out a social pact which, for the Government's part, must include productivity agreements for any pay increases above the rate of inflation. With pay rises already averaging out at 8.5 per cent, the Government's need is urgent and its anti-inflationary strategy is in grave danger.



■ Resignations of both Prime Minister Felipe Gonzalez and his deputy Alfonso Guerra have been raised, but are unlikely

Mr Jaime de Pinies, chief economist at Chase Manhattan Bank in Madrid, believes the authorities will have to bring annual inflation down to 6 per cent by the end of the year if their anti-inflationary credibility is to remain intact.

Mr Carlos Solchaga, the Finance Minister, warned this month that the Government would impose tough austerity measures if the talks with the unions fail.

At the moment, the Bank of Spain's credit squeeze does seem to be having some effect. Car sales are sharply down on last year and mortgage companies are hurting. The apparent slowing of inflation in March and April is encouraging, too.

Economists such as Mr de Pinies also warn against reading too much gloom into the April money-supply and credit figures. A surge of new high interest-bearing current accounts and the annual making of tax rebates may both have upset the money supply.

"Blips are normal," he says, "and you have to look at the slowdown [in money supply] over the last few months. And there has been a slowdown."

The other side of that coin, though, is not to become over-excited about the inflation figures which have not even begun to reflect wage increases. Also, demand is being artificially held down and ready to expand rapidly again once the credit squeeze is lifted.

There is still a long way to go, and getting to inflation of 6 per cent by the end of the year is going to be a hard trek. High public-sector spending has hardly been affected by the credit squeeze, and the peseta is overvalued against most currencies and continues to attract short term speculative cash. The Government cannot fiddle with the exchange rate without making nonsense of its decision last summer to enter the exchange rate mechanism of the European Monetary System.

Economic indicators

	Last reading	% change over year
GENERAL		
Electricity consumption	March	6.6
Employment	4th quarter	4.1
Private-sector credit	March	13.1
Export of manufactured goods	February	-0.2
Non-energy imports	February	4.8
Petrol consumption	March	-0.9
Sales of cars	March	-6.8
Steel production	December	6.5
INDUSTRIAL		
Industrial production (general)	January	4.9
Production of consumer goods	January	7.3
Production of capital goods	January	8.1
Industrial-vehicle registrations	December	11.6
CONSTRUCTION		
Consumption of cement	January	10.8
Housing starts	December	-35.1
Public tenders	December	74.5
SERVICES		
Income from tourism	February	0.0
Hotel guests	December	8.8

Source: La Caixa

Despite the fragility of the country's macroeconomic position, however, there is little gloom in boardrooms. Spanish bankers, though they are involved in a huge fight among themselves for savers, confidently predict that the flood of foreign capital in search of acquisitions will continue, despite the fact that Spanish companies and labour are no longer cheap.

Eastern Europe may be cheap, the argument goes, and its workers may even be smarter, but east Europeans don't have any money to buy things and Spaniards do.

Some analysts believe that the $25bn or so in acquisitions made over the last four years may be being turned around again in the next few years as foreign buyers get out and make way perhaps for Spanish predators.

And while there is still money to be made in Spain, it is hard to come up with any serious reasons why the Government should be worrying about its position. It is worrying, though, having been caught up in a particularly difficult corruption scandal. Resignations of both Prime Minister Felipe Gonzalez and his deputy on points of honour have been raised, but are both extremely unlikely.

The conservative opposition, involved in its own scandal at the moment, is in no position to damage the Government, which narrowly held on to its third successive operating majority in parliament in last October's general elections.

The best measure of how much damage the scandals have caused will be the regional elections in Andalucia next month. This is Gonzalez territory, and if his Socialist party loses (almost impossible) or does badly (possible) then someone might have to suffer the consequences.

But the elections do not seem, at this stage, to offer much chance of change. Spaniards expect the worst of their politicians anyway, and ask only to be left alone to live well. It was Mr Gonzalez' good fortune to come to power in 1982 at the beginning of an international economic recovery that is only now beginning to teeter.

Peter Bruce

1992: is anyone ready? asks **Tom Burns**

The wrong reasons

MR JUAN Luis Cebrian, the founding editor of El Pais, the highly influential Spanish newspaper, complained in a recent public lecture in Madrid that Spain was simply not "waking up" to 1992.

Now the managing director of the Prisa holding company that owns El Pais, a major commercial radio network, a Madrid-based business newspaper and, to boot, a 25 per cent share in a franchise for a private television station that will be launched in the autumn, Mr Cebrian passes for something of a guru among those whose speciality is to assess whither Spain is heading.

His worries about Spain's preparation for 1992 harmonisation were nevertheless accurate only up to a point. Most Euro-gurus who sup with the people who matter, from cabinet ministers downwards, every other day of the week, would make a similar complaint about their respective societies' awareness of the impact of a Single Market.

It is true that Spanish companies tend to live, day to day, solely for their domestic market. Nor would it cross the minds of most observers to argue that Spanish politics, and the reporting of them, are anything other than parochial. Alleged corruption in the conservative opposition party is the flavour of this month, and graft among the governing socialists was last month's.

To make matters worse, the Spanish public is currently obsessed with 1992, but for quite the wrong reasons. That year, the summer Olympics will be held in Barcelona; and Seville, with its Expo '92, will stage a mega international fair, the like of which has not been seen in Europe since Brussels held its universal exposition in 1968. With such events on their minds, few Spaniards realise that the end of 1992 will also usher in the Europe without Frontiers.

But its also true that Spain's legislative performance, in keeping up with its Community obligations, has been a good one. It is widely agreed that the record shows a clear deficit when compared with Britain, but there is an equally extended consensus that Spain wins out when compared with Italy. Implementation of VAT, for example, was immediate and efficient in Spain.

"Spain has does very well and substantially complied with EC requirements," says Mr Ian Angus, a senior partner of Coopers and Lybrand, in Madrid.

What Spain does have is a considerable EC asset, in the person of its prime minister, Mr Felipe Gonzalez, a politician who has few peers in his commitment to the European ideal and in his grasp of the details involved in working towards it.

"Felipe wakes up every morning telling himself that he is the top European, and asking himself what he can do during the day to prove it. He is full of sense on Europe," says a Madrid banker who knows the prime minister well.

It was half-way through Mr Gonzalez's first term of office, in 1986, that Spain, together with Portugal, formally joined the European Community; and there is a concerned group of

Spain has a considerable EC asset in its prime minister, Felipe Gonzalez, a politician who has few peers in his commitment to the European ideal

Spanish Euro-watchers that still remembers what the official state gazette, the ponderous *Boletin Oficial de Estado*, looked like during the January of that year.

"Issues of the *boletin* ran to thousands of pages, because they printed every detail of EC legislation," recalls one such watcher. In one swoop, Spain was called upon to catch up with rulings that were already in force in far more developed economies beyond the Pyrenees.

Inevitably, a legislative no man's land came into being – a grey area that had the Spanish legal system forming one frontier and the new EC guidelines forming the other. Spanish judges did not, and still don't, comprehensively apply EC commercial law, because they simply have not had the time to become acquainted with it. Nor is Spanish legislation applied with any semblance of emphasis, because the same judges sense that it has been superseded.

"Companies produce, say, nuts and bolts, that may comply with EC standards or with the perhaps quite different guidelines issued by the Spanish industry ministry," says a former cabinet minister. "Nobody is particularly determined to press the issue."

So far there have not been any been any instances of major litigation at the European court involving Spanish companies. There undoubtedly will be, once all sides have realised all the implications of the directives issued by the EC, but the pace towards such realisation is slow.

A key point is that Spain, in the same way as Portugal, was only begining to come to terms with the Treaty of Rome when it was called upon to take on board, as well, all the legislative package that surrounded the EC's agreement on the 1992 Single Act. There were two involved adaptations, and they were telescoped together.

It is this that makes the Spanish statutory record particularly impressive. The other side of the coin, however, is that the sheer extent of the harmonisation involved has placed a huge burden on institutions such as the Registro Mercantil, Spain's equivalent of Companies House, which in compliance with the EC's Fourth Directive will this year begin to file the accounts of all Spanish companies.

"The real problem is the infrastructure necessary to implement all the legislation," says Mr Angus. "The Registro Mercantil will have to make a major effort in reorganisation in order to accommodate all the new data it has to store."

The new procedure for storing accounts came into force with a new Spanish Company Act at the begining of this year (previously accounts were only filed to the tax authorities and were not published), and it is in certain instances more restrictive than is required by the Fourth Directive. The Spanish act, for example, obliges accounts to be signed by all of a company's directors.

The same legislation also

Continued on facing page

The savings war has changed the face of retail banking

Players fight for customers

SPANISH BANKERS have adopted a more introspective attitude in recent months.

A couple of years ago, their main worry was what to do about Europe and the formation of the internal market in 1992. Now, they talk less about the European banking directives and ensuring equal rights for banks in EC member countries and more about the fight for retail customers in Spain.

"Our fears have been transferred from Europe to our internal market – we are very worried about each other" says Mr Francisco Luzon, president of Banco Exterior. The main causes for concern are the deposits war and the restrictions on lending.

The *guerra de las supercuentas*, or war of the "super" savings accounts, has changed the face of retail banking in Spain. Five years ago, Barclays started to offer its customers interest on their current accounts in Spain.

This was unheard of among Spanish banks, which had traditionally earned wide margins by paying their depositors miserly rates of interest while lending the money at a considerably higher turn.

"Spanish banks have always had a very cheap deposit base," points out Mr Joaquin Tamames, consultant with Research Associates.

Barclays was copied by a couple of the other foreign banks in Spain, who wanted to eat into the retail market. However, without a substantial network of branches, it has proved difficult to achieve: Barclays has close to 200 branches but that is still a long way off the thousand or so branches that a Spanish bank like Banco Santander can put to use if it wants to sell a full range of services.

Distraction on the home front means that Spanish banks have been too preoccupied to think much about the opening up of the European banking market.

However, Barclays' move into interest-bearing current accounts prompted the local banks to rethink their strategy at home. Until recently, the heads of the big banks met regularly for breakfast and ran a cosy, informal interest-rate cartel. That changed when Banco Santander decided to launch an interest-bearing account in August 1989. Savers rushed to deposit their funds and, as one former central banker was forced to remark: "The interest rate cartel was broken forever."

Some of the other banks scoffed at the idea, but not for long. Now many of the big banks are offering similar accounts and the war for customers is on. No one can spend more than a day in Spain and fail to notice the aggressive advertising campaign which is part of the fight for customers.

Walk down the high street and you pass billboards plastered in gigantic numbers declaring how much interest each bank will pay on your deposit. Some banks have even resorted to bribes: they are holding lotteries with prizes of cars or a jackpot of Pta100m for the lucky account holder.

"Santander opened a Pandora's box," says one stockbroker. Customers have voted with their feet and stampeded into these lucrative accounts – for example, BBV pulled in Pta63.2bn ($613.74m) in the first 15 days of launching its new account.

"Some banks will suffer the consequences of this war," says Mr Luzon. In his opinion, the medium-sized banks and savings banks (which are known as the *cajas* in Spain) are likely to feel the pinch. The savings banks have steadily built up their deposits market share to about 46 per cent in the last decade, concentrating on the lower end of the retail market. The commercial banks claim that much of the new money is coming from the cajas' deposit base.

The top banks' assets and employees

	Assets (Pta m) at Dec 31 '89	Employees at Dec 31 '88	Assets/employee (Pta m)
1 Banco Bilbao Vizcaya	5,678,267	24,761	229
2 Banco Español de Crédito	3,619,142	16,516	219
3 Banco Central	3,443,134	17,867	193
4 Banco Santander	3,105,331	10,164	306
5 Banco Hispano Americano	2,997,279	14,875	201
6 Banco Exterior	1,983,764	8,477	234
7 Banco Popular Español	1,402,627	7,611	184
8 Bankinter	1,050,578	1,691	621
9 Banco de Sabadell	887,943	3,579	248
10 Banca Catalana	882,895	3,123	283
11 Banco Atlántico	809,556	3,234	250
12 Barclays Bank	740,058	1,493	496
13 Banco Pastor	696,372	3,435	203
14 Banco Urquijo	600,691	2,405	250
15 Banco del Commercio	594,141	959	620

Unconsolidated figures. Source: CSB/Research Associates

The fight may prompt some of the savings banks or medium-sized banks to merge in order to build up larger networks and reduce their costs (for example, by trimming staff). Mr Luzon seems relieved that the competition is taking place now rather than in 1993, when Spanish banks should ideally be concentrating on the more competitive environment in Europe.

The fight is important, because banks in Spain have until recently been very restricted when it came to lending. The Bank of Spain was worried about bank lending, and Spain's consumer boom. Last year, banks had to place 17 per cent of their deposits with the Bank of Spain – a move intended to restrict their lending.

Earlier this year, the central bank reduced the percentage from 17 to 5, although the banks are supposed to place the released reserves in certificates of deposit rather than rush out to lend it to customers. However, the new money pulled in from the high interest accounts is not tied up in this way, and so the banks have been able to draw on a new pool of funds for lending purposes. Hence the real attraction of the accounts.

"What the banks lose on margin they will gain in terms of volume" claims Mr Federico Garayalde, of stockbrokers Bravo & Garayalde. "The Bank of Spain has reduced the demand for banks to deposit 17 per cent of their money so now it is very important for banks to increase their deposits so that they can lend more."

In the past, the restrictions have hurt the particularly aggressive banks. Barclays, for example, claims that the curbs have restricted its growth in Spain, despite the strong demand for money for consumer durables.

The distraction on the home front means that Spanish banks have been too preoccupied to think much about the opening up of the European banking market. Already, there are dozens of foreign banks operating in Spain.

With their extensive national networks, the Spanish banks give the impression of dominating the home market – but many analysts consider Spain to be "overbanked", and suggest that the smaller banks will eventually be gobbled up as part of a reorganisation of the banking market. Foreign banks which have entered the market recognise that they cannot be a major force on the retail side, although they still have the advantage of being able to work with companies from their home market, for example advising on mergers and acquisitions.

The response so far from the Spanish banks, to this challenge to their fee-based business, has been to link up with foreign banks or financial institutions. By far the most advanced and ambitious in this respect is Banco Santander, which has acquired stakes in Belgium, Germany, Portugal, Italy and Switzerland. It has bought a 10 per cent stake in Royal Bank of Scotland; and a year ago Nomura Securities of Japan acquired a small stake in Santander and its investment-banking arm.

Other Spanish banks feel they may have to emulate Santander if they are to strengthen their links in Europe and fend off the competition in Spain.

Sara Webb

Barclays started the race to pay interest on current accounts

Towards 1992

Continued from facing page

introduced statutory auditing to Spain (previously only banks were obliged to submit externally audited accounts), and in so doing highlighted a second infrastructural problem, for it thrust a massive responsibility on to an auditing profession that is thin on the ground in Spain and relatively inexperienced.

Moreover, there is a significant unresolved conflict over auditing practice in Spain, between the tax laws, which have traditionally dictated what company accounts should look like, and the British concept of a "true and fair view" (an "imagen fiel" in Spanish) of a company's account that is enshrined in the Fourth Directive.

There have been, of course, other instances of harmonisation in which Spain, like other Community partners, has had to resort to more or less picaresque tricks.

The second-hand car market is a case in point. Madrid's EC negotiators apparently failed to realise the impact that used north-European vehicles might make on the domestic car market. The government accordingly fell back on the ploy of opening just three transport ministry inspection centres (one of which was in the Canary Islands) to authorise the road worthiness of imported second-hand cars, in order to stem the flood.

Profile: **Privanza**

Old echoes of loyalty and responsibility

MR LUIS Abril, an *aficionado*, would be a happy man if he counted a few bullfighters among his customers.

"Some bullfighters are very rich but they are hopeless at managing their money and staying rich."

No doubt it would be very good publicity for Privanza, the private bank where he is managing director, if the matadors moved their custom and stayed out of the red.

"This isn't a country where people are generally ostentatious about their wealth," says one financial consultant. However, there are enough "seriously rich" people in Spain to keep private bankers on the look-out for business; and many Spanish banks are pushing their private banking services for people who have made a pile – the entrepreneurs who were in real estate, for example, and people who have sold their family businesses.

Privanza was among the first to offer these services, but there is now quite tough competition between the banks for this segment of the market.

Privanza has nearly 3,000 such customers, and provides portfolio management, the attendant banking services, and tax-planning advice. It was born out of the Banco Bilbao Vizcaya (BBV) merger and is wholly owned by BBV.

Mr Abril has been with Banco de Vizcaya since 1978, although he also used to teach financial management to university students part-time – which, he says, gave him ample opportunity to talent-spot for the bank. He worked closely with Mr Pedro Toledo, the president of the Vizcaya bank who died last year.

After the merger with Banco de Bilbao, Mr Toledo asked him to investigate the possibility of setting up a private bank for rich Spaniards. Mr Abril says he looked at the services offered by other private banks around the world, commissioned some market research and found a name – Privanza – which in 16th century Spanish "has connotations of loyalty and responsibility".

Privanza was formed by merging the asset management companies of each of the banks, and creaming off the high net worth individuals. It started up in June 1989, and now has eight branches in Spain with Pta100bn ($971m) under management.

Privanza is keen to launch its own range of unit trusts, once the tax situation is more favourable for investors.

The 42-year-old Mr Abril, who spent much of his life in Bilbao, is proud that his bank lacks the air of opulence characteristic of some other private banks. There are no men in old-fashioned uniforms to open the front door to customers. The style is muted rather than flamboyant. One customer complained to Mr Abril that the headquarters were not plush enough – Mr Abril's response is that the bank has to make money and is aiming in the next couple of years to achieve a return on equity to match that of the parent bank. It made a pre-tax profit of Pta529m in the first six months.

"I don't say we are a bank for rich people. I say we are devoted to solving the problems of people who can save in the amounts important enough to be managed in a technical way," says Mr Abril. In plain numbers, that means people with Pta25m-30m or more, in order to qualify for the portfolio management service; or Pta10m-25m, to qualify for pooled investments such as unit trusts.

The tax system in Spain does little to encourage private investors. Investment income is added to earned income for taxation purposes: a top marginal rate of 56 per cent income tax tends to deter aggressive investment and the turning over of portfolios. However, the Government is currently considering a reform of the tax system, which may include a lowering the income tax rates and possibly the creation of a more favourable tax climate for investments such as unit trusts. Privanza is keen to launch its own range of unit trusts, as Mr Abril believes this will prove "an exciting growth area" once the tax situation is more favourable for investors.

Luis Abril: no opulence

He believes that the bank's main selling point is its tax and legal advisory service. Spaniards have a tendency to hide "black" money wherever they can – in local authority bonds, insurance policies, or whatever else is fashionable at the time. The bank, for example, advises clients on collective investments such as SIMs, which can be used to reduce the tax burden.

Mr Abril himself is only too aware of the tax disincentive in his home country. He did his thesis (on "Determinants of the financial structure of the firm in Scandinavia") in Oslo. At the time, he was surprised to come across people who wanted to leave Scandinavia because the tax regimes there were too severe. Nearly two decades later, living in a country where the top rate of tax is 56 per cent, he says he can sympathise with the Norwegians. "I can understand now ... but at least we may see lower taxes soon".

Sara Webb

Sara Webb on life after Spain's own 'Big Bang'

Quest for survival

WORKING FOR a Spanish stockbroker these days is rather like waiting outside the headmaster's office.

Spain's "Big Bang", in July 1989, led to the creation of nearly 60 stockbroking firms. Everyone in the sector agrees that probably only half will survive, given that a fall in trading has meant a sharp drop in commission income for many.

Big Bang has forced brokers to think of strategies for survival. Some have linked up with domestic or foreign banks. Others are diversifying in the financial services sector and turning into mini investment banks. A few have chosen to stay as no-frills, execution-only brokers.

"Brokers who have linked up with banks have a good chance of survival," says Mr Joaquin Tamames, consultant at Research Associates. "The banks will channel all of their trading through their own broker – it's captive business."

Mr Juan Fabregas, managing director of brokers Benito y Monjardin, points out that few of the banks or foreign concerns who have bought stakes in Spanish brokers are likely to allow them to go under: his own company, B&M, has a foreign partner in Kidder, Peabody, the US investment bank, which owns a 25 per cent stake.

He is also optimistic that many small execution-only or family-owned firms will survive, as their costs are low. The likeliest dinosaurs, in his view, are those with heavy costs and no record.

"Big bang means there are far too many brokers now, a number of the smaller companies are feeling the squeeze, especially since volume is low. A lot of these companies had to make major investments in technology and building up their research departments," says Mr Robert Warfield, managing director of Metall Capital, which has links with brokers Bravo & Garayalde.

The squeeze has already started to put pressure on jobs. "A year ago it was difficult to find analysts. Now you just clap your hands and they come running, because people are being laid off," says Mr Tamames. The shake-up in the stockmarket has forced more brokers to expand their research departments and improve the quality of research for institutional customers, according to Mr Fabregas. "Five years ago there was no research to speak of – just gut-feeling," he adds.

The reform of the securities market was accompanied by a switch from face-to-face open-outcry trading on the stock exchange floors to a screen-based trading system known as CATS (computer assisted trading system). CATS has been welcomed by brokers. The chief advantage, says Mr Fabregas, is that it makes the market "very transparent".

"Under the old system, it was easy to manipulate prices. It is easier to manipulate the share price in 10 minutes face-to-face than in six hours on the screen," points out one broker. Many of the main shares are now traded on CATS, and most brokers expect to see 90 per cent of the market's volume traded on the screens by the end of the summer.

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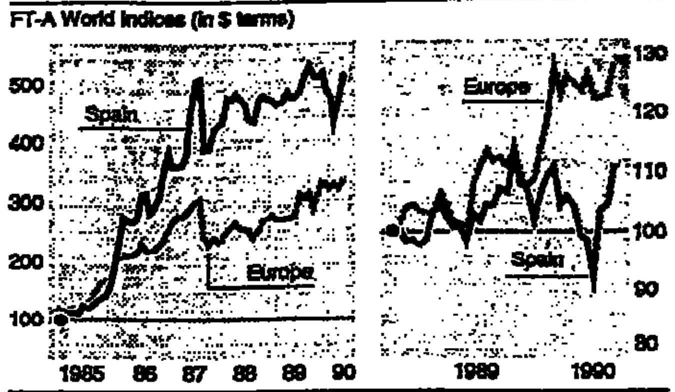
However, the introduction of CATS has not been problem-free. Spain has four stock exchanges – Madrid, Bilbao, Barcelona and Valencia. Some of the regional exchanges listed small local companies in addition to the blue chips. Trading used to take place on all four floors, leading to price discrepancies. Now that the exchanges are linked by computer that cannot occur. In theory, there is no need for four exchanges, given that trading takes place on computer screens.

In practice, though, the smaller exchanges could be used to trade the shares in those small companies which are not liquid enough to go on CATS – although the problem of illiquidity could be solved by simply having shorter trading periods on CATS for the small companies.

How the markets have moved

FT-A World Indices (in $ terms)



Other problems that have emerged from CATS relate to large orders. Brokers don't like to sell large blocks of shares on CATS for fear that, as soon as a big holding is put up for sale, the share price will drop. The result is that brokers end up breaking the blocks of shares and drip-feeding them into the market until an interested buyer gets wise and rings up the broker to find out if he has a large holding for sale.

Brokers say they would prefer to be able to buy and sell large blocks outside CATS when there is a buyer and a seller available.

The authorities are preparing new regulations governing settlements (where Spain has become something of a legend for its inefficiency, partly due to poor back-office work) and insider trading. The market may be more transparent thanks to CATS, but that does not mean there is no work for the securities market watchdog. "It's an undisciplined market rather than a corrupt one," says one foreign broker. "There's a lot of gossip, but not as much insider trading as one would expect."

The Spanish affiliate of New York brokers Drexel Burnham Lambert was fined last year, after it was found to have used the names of investors (without their knowledge) to buy Repsol shares in the partial privatisation. Another broker has also been fined in connection with for alleged malpractice and other cases are pending.

One practice which the larger brokers want to see squashed is the undercutting of commissions. Commissions will be unrestricted, starting in 1992, but until then, brokers are supposed to fix their commissions at 0.25 per cent. However, there is such a scramble for business that some brokers are allegedly reducing their fees illegally to attract customers.

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Two factors would probably help to boost trading activity on the stock exchange: lower interest rates and a more favourable tax climate for investors. The Government is working on a reform of the tax system, and many Spaniards hope that this will lead to lower taxes on capital gains and income. This would encourage investors to use the stockmarket as well as enticing more family-owned firms to raise money on the bourse.

While the market remains in its state of lethargy, though, few companies are encouraged to use it as a means of raising money. Instead, many are turning to the commercial paper market and raising money by offering rates of up to 15 per cent. For foreign investors, such as the Japanese, these rates make the Spanish paper and bond markets particularly attractive. Until interest rates come down, they are unlikely to pay much attention to the stock market, despite its relative cheapness and the prospect of good corporate earnings from Spanish companies.

Futures and options

Give the infants time

ONE COULD be forgiven for thinking that Barcelona's futures exchange is a hive of activity. The numerous glass partitions criss-crossing the floor give rise to multiple reflections whenever anyone wanders past.

In fact, the trading is screen-based and the humans reflected in the glass are more likely to be tending the banks of computer screens than placing orders themselves.

It's a clever trick. The futures exchange – known in Spanish as Meffsa (the acronym for *Mercado de Futuros Financieros SA*) only came into existence on March 16 this year. As with the newly-formed options market in Madrid, trading is in its infancy.

However, the Spanish entertain great ambitions for their futures and options markets, which they hope will expand to include equity and index contracts as well as the existing bond contracts. There could be several benefits as a result.

For a start, it would enable domestic institutional investors to hedge their investments and improve their portfolio management side. Second, at a time when foreign institutions are increasingly turning to the European equity markets, many more foreign investors would be encouraged to place their funds in the Madrid bolsa if they had a means of hedging their investments. Even private investors could be tempted to use index contracts to hedge their portfolios.

However, the benefits to foreign and domestic institutions have been obscured by the political machinations that accompanied the establishment of the exchanges.

The options market – OM Iberica – started in November 1989. The project had the backing of the Swedish options market group OM, which has had a hand in setting up several options markets in Europe. Initially, BBV, the largest bank, and OM International each owned 45 per cent of the shares in the options market, but they have reduced their holdings in order to spread ownership among Spanish brokers and banks, and therefore ensure wider participation in the market.

The trading is conducted partly by telephone and partly on the screen. So far, there is only one contract, based on the October 1992 12.5 per cent benchmark bond. On average, 400 contracts of Pts20m ($194,000) are traded daily.

What most people want to see as soon as possible is the introduction of index and equity options. Some think this may happen by mid-1991. However, the stock exchange in Madrid wants to be involved in any plans to introduce such contracts. It commissioned a feasibility study from Arthur Andersen last year which found that there was a demand for equity options, and concluded that there were enough "optionable" shares listed on the exchange to satisfy requirements, preferably for a screen-based trading system. It also saw no regulatory obstacles.

So now the stock exchange has to decide how such a market should be organised. It has the choice of either selecting its own trading system, or of using the OM system. This would mean coming to an agreement with the shareholders in the existing options market to have all the options trading conducted through one system.

The feeling in Madrid's financial circles is that one options exchange is quite enough, and that the stock exchange should join forces with OM Iberica. If not, Spain will end up with three markets – two for options and one for futures. The existing arrangement, whereby futures are traded in Barcelona and options in Madrid, is certainly frowned upon and people attribute it to the old animosity between Madrid, the financial centre, and Barcelona, the industrial centre.

Mention that to Mr Jose Luis Oller, chief executive officer at Meffsa and a proud Catalan, and he bristles. He does not take kindly to suggestions that the futures market would be better situated in Madrid. As a former head of the Barcelona stock exchange, who resigned when it became clear that the introduction of a screen-based equity trading system (CATS) would considerably diminish the importance of regional stock exchanges, such as the one in Barcelona, he is fiercely in favour of keeping some financial business in Barcelona.

"The Bank of Spain said they had nothing against its (the futures exchange) being in Barcelona if the plan was good enough, and our budget was approved," he says.

It cost Pts700m to set up the computer system and install screens in members' offices. There are now 34 shareholders in Meffsa, including all the big commercial banks and savings banks.

"Our most important aim in the first six weeks was to get a high participation of members," adds Mr Oller. "We are very satisfied – there are about 20 banks regularly trading in the market and learning the tricks of the trade."

However, he sees scope for improvement. He wants a legal framework, to provide regulation of the futures market, which would pave the way to introduce other futures contracts.

Members of Meffsa trade contracts in a notional bond (a hypothetical bond with features similar to bonds traded in the public debt market). The options market in Madrid recently decided to switch to trading contracts on the same notional bond.

Meffsa trades a daily average of 600 contracts with a nominal value of Pts10m. Mr Oller thinks this low by international standards, but says the absolute size of the market is not his main concern. "Our most important concern is liquidity. Now we have quite a liquid market with quite a narrow spread."

According to BBV, which is involved in the existing options market, it has taken time to educate customers and encourage them to use the new instruments. It may still take a while for these efforts to pay off. For, as Mr Robert Warfield, managing director of Metall Capital, in Madrid, put it: "We're keeping an eye on the options and futures markets, but at the moment there is not enough depth to the market. It might take a year before we use it."

Sara Webb

Insomnia in the fall-out

MENTION YUPPIES, and Mr Federico Garayalde starts to squirm a little in his seat.

He and Mr Alberto Bravo, partners in stockbrokers Bravo & Garayalde, both passed their stock exchange exams at the tender age of 25 – at a time when the average age was 35. "We were so young, some people didn't take us seriously as brokers," he says.

Now, aged 29 and 28 respectively, their concern is less about being taken seriously than with the prospects for the

Profile:
Bravo & Garayalde

Madrid stockmarket. "Some nights I don't sleep very well," says Mr Garayalde, somewhat lugubriously.

His insomnia could well be justified. Spain experienced its own version of Big Bang last July, and there are now too many brokers for comfort, all fighting for customers. Furthermore, the stockmarket has been in the doldrums for the last 18 months, so income from commissions has slumped.

"Our commission income was much higher before Big Bang," says Mr Garayalde, adding that in the five months August-December 1989 after Big Bang it fell to Pts84m.

Part of the explanation lies in the fact that trading volumes have declined. But, on top of that, B&G lost some of its institutional clients, who decided to link up with other brokers. "Many of our former clients are now our competitors," he adds. "In terms of volume, we used to rank in the top 15 brokers: now we are somewhere in the middle," (out of more than 50 brokers).

However, Mr Garayalde thinks the firm may have increased its chances of survival by linking up with a foreign partner, and by diversifying in the financial-services sector.

Metall Capital, part of the German group Metallgesellschaft, has a 25 per cent stake in B&G, with an option on a further 5 per cent. Mr Robert Warfield, managing director of Metall Capital's Spanish operations, said that the German engineering, trading and financial services group wanted a Spanish partner to help with mergers and acquisitions, the financing of construction projects, and other financial services.

Mr Garayalde says the link with Metall Capital has helped to introduce more foreign clients to B&G – for example, from Germany, the UK, France and Sweden – at a time when orders from domestic institutions have slackened.

The competition resulting from Big Bang has forced B&G to expand their range of business. Like many other Spanish brokers, they have started portfolio management services. Unlike their competitors, they have developed a real-time price information computer service, linking clients to the stock exchange's continuous trading system, which is meant to make it easier for clients to place orders and to receive up-to-date price information.

They have also applied for approval for fixed-income business, so that they can move their clients into bonds and treasury bills if the stockmarket business declines. "You can't rely on only one market these days," says Mr Garayalde, adding that commission from this side of the business amounted to Pts18m in the last five months of 1989.

He says that many of their foreign clients are interested in investing in Spanish bonds and treasury bills. "There was a lot of interest from foreigners in the recent Kingdom of Spain Ecu bond issue, due to the shortage of Ecu paper at the moment." The more interest from foreigners, the more comfortably will Mr Garayalde sleep at night.

Sara Webb

Tom Burns analyses the power of Spain's central bank, and in particular...

Why BBV obeyed the governor

JANUARY SAW the denouement in the succession crisis at Banco Bilbao Vizcaya (BBV), the country's biggest private bank, and gave a good idea of how powerful the governor of the Bank of Spain is and how interventionist the central bank can be.

In a formal document Mr Mariano Rubio, the governor, ruled on who should be BBV's chairman; on who should be its two deputy chairmen, and what briefs they should hold; on what the bank's senior management structure should look like; and, for good measure, on why 10 members of the BBV board should resign their directorships and be replaced by five new board members who, the governor specified, should be "neutral."

The bottom line is not that the BBV did exactly as the governor ordered. It is that the bank did so because it had asked Mr Rubio to arbitrate in the first place, and had undertaken to abide by his ruling.

The bank's board, evenly divided as it then was between former members of Banco de Bilbao and of Banco de Vizcaya, had been unable to agree on a successor to a deceased co-chairman who had represented the Vizcaya faction of the merged BBV superbank. They therefore appealed to the *gobernador* to settle the deadlock.

The whole story says something about Spanish banking. "Barclays Bank would never have got itself into such a mess," a senior Madrid banker said.

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And it says something about the Bank of Spain and its governor. "Had the impossible happened and a row erupted in the board of a top retail bank, Robin [Bank of England governor Leigh-Pemberton] would have just quietly clicked his fingers and settled it," the senior banker continued. "He would never have released an arbitration document."

The fact that the Bank of Spain did intervene in the BBV, in a manner that was as dramatic and effective as it was public, surprised nobody in Spanish banking circles. The institution began to wield enormous power, far outstripping the normal supervisory role of a central bank, when domestic investment banks started falling like ninepins during a five-year banking crisis in Spain, which started when industrial recession began to bite deep into the financial sector the late 1970s.

The crisis created a "peculiar sensitivity" on the part of the Bank of Spain, according to one of its senior officials, towards the banking sector as a whole. A bank hospital, staffed with the best financial engineers that the Bank of Spain had available, was set up, and private banks were cajoled (or bullied) into picking up the bankrupt pieces that the crisis had created.

"What the crisis taught us was the value of acting well in advance," said the official.

A parallel development to the banking crisis and its resolution was the manner in which the Government increasingly turned to the Bank of Spain in order to finance both industrial streamlining, particularly in the public sector, and the budget deficit by way of reserve requirements, *coeficientes* that were imposed on the private banks and were allocated to priority sectors of the economy or deposited in the Bank of Spain.

The *coeficientes de inversion*, the preferential rate credits that were routed towards industry, were introduced in the early 1970s and peaked in 1983, when they accounted for 21.5 per cent of deposts in the private banking sector.

This coefficient has steadily declined over the past six years, and has been replaced by the mandatory obligation on banks to invest a proportion of their funds in government paper, the low-yield *pagares del tesoro* (treasury notes).

As the budget deficit narrows and the public sector begins to turn in profits and to rely less on extraordinary credits, the reserve requirement burden has noticeably eased. This is just as well, for, with the implementation of the EC's Single Act in two and half years' time, the whole cheap government finance circuit will cease altogether.

The important point, however, is that the Bank of Spain, by way of such *coeficiente* instruments, which were unknown elsewhere in the OECD nations, exerted a power over the financial sector that was likewise without equal in a modern and developed market economy.

The whole scenario amounts to an acquired culture of central bank involvement in the private banking sector, which dies hard. It is small wonder, therefore, that, with such a background, the Bank of Spain should have been an active player three years ago, when the entire focus of the domestic financial sector was on the possible mergers among the domestic banks so as to face better the rigours of single market deregulation.

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In the event, only the Bilbao and Vizcaya banks merged – a marriage, as it happened, that was not envisaged by the supervisory bank. Mr Rubio and his team nevertheless were cheering from the sidelines when Banco Espanõl de Crédito (Banesto) and Banco Central were contemplating an alliance. When the partnership came to nothing, the Bank of Spain put Banesto's balance sheet under scrutiny, thereby fuelling fears that the degree of intervention would be raised still further.

"The Bank [of Spain] was rocking Conde's [Banesto chairman Mr Mario] boat," said one source, who followed the developments closely. As it turned out, the charismatic pacesetter of Spanish banking ably survived the pressure, and the result was that a certain degree of prudence was adopted by the monetary authorities.

The same source that alleged the Bank of Spain was "biased" in its dealings with Banesto was full of praise for the way Mr Rubio had dealt with the BBV crisis: "It was positive and exemplary arbitration."

At bottom, the relationship between the central bank and the banking sector in Spain is, as in most places, one of love-hate. But because the Bank of Spain has greater muscle than the norm, the relationship in Spain has greater doses of desire and of loathing than is usual.

The latest point of contention concerns the manner in which the Bank of Spain, mindful of the requirement to harmonise practices in 1993, has opted to reduce the cash reserve coefficient, which stands at 17 per cent, to the 5 per cent that is the European norm. It will do this by obliging the banks to deposit the outstanding 12 per cent in Bank of Spain certificates, which will pay 6 per cent a year until their maturity after 1993.

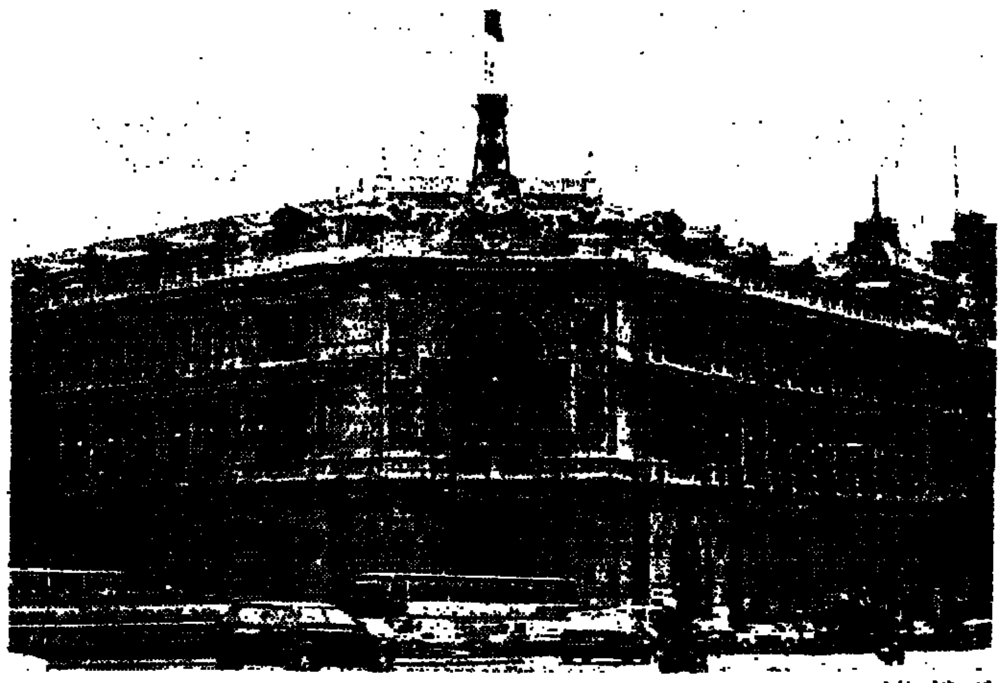
"The coefficient has not been abolished," said the chairman of a medium-sized bank. "It has been turned into a heavy tax that is imposed on the whole sector in order to continue financing the budget deficits; we have to shoulder the burden of money-supply targets and the cost of foreign currency reserves."

Bank of Spain officials admit that the banks will incur substantial write-offs, and there are some in the financial sector who claim that the mandatory Bank of Spain deposits will be equivalent to two years' profits for an individual bank.

Officials at the Bank of Spain, who have earned well deserved plaudits for the manner in which they have comprehensively restructured the state's borrowing requirements during the 1980s, say, with much truth, that they have struck a balance between the continued need to finance the deficit and the danger of excessive liquidity, should the cash reserve requirement be reduced to 5 per cent at one blow.

The banks do have, in any case, a degree of choice. They can lose money now by selling off their unwanted Bank of Spain certificates, and thereby digest their losses in advance of 1993, or they can choose to lose gradually over the maturity period.

It is a question of six of one and half a dozen of the other. But that is, in reality, the traditional nature of things in the Bank of Spain's dealings with the domestic banking sector.



Ashley Ashwood

The Bank of Spain: the manner of its intervention surprised nobody in Spanish banking circles

Sara Webb on the influence of foreign financial institutions

A nasty jolt that set the pace

"TEN YEARS ago you were a victim of a bank here, not a client. Today the banks are falling over each other for customers," says Mr Carlos Lareau, account director at Burson-Marsteller, the US-based PR group.

"It goes to show how foreign financial institutions have been a key component in changing the financial services in Spain".

Barclays Bank, closely followed by other foreign banks, wooed customers on the retail side by offering them interest-bearing current accounts a few years ago in Spain. Now, many of the big Spanish banks, which had grown accustomed to paying low rates on deposits, have been forced to follow suit.

The response was sparked off by fears that the foreign banks could take a big bite out of the retail banking business in Spain. Some say it provided a nasty – if necessary – jolt. Since then, Spanish banks have expended into many new fields, including private banking services for the affluent, financing for consumer purchases, portfolio management, insurance and other areas of personal finance.

"Spain is a fairly undeveloped market, but it is developing rapidly in the financial services area," says Mr Clifton Melvin, director general of Equity & Law (whose Spanish operations are being taken over by Scottish Provident).

The company is trying to sell life insurance and personal pensions in the Spanish market, and expects a boom in the personal finance field. It may prove a difficult market. According to Equity & Law's research, Spaniards have an intense distrust of insurance salesmen and a more fatalistic attitude than their British counterparts: "You can tell, just from the fact that so few people here wear motor-cycle helmets," adds Mr Melvin.

Many of the foreign banks have set up business in Spain in order to assist companies from their home countries, which are looking for acquisitions and deals in the Spanish market. Sanwa Bank, of Japan, is one example.

There are plenty of Japanese companies who want to expend in Europe ahead of 1992. For them, Spain has relatively cheap labour costs and good access to the EC market. Automobile companies like Honda and Nissan, and various electrical consumer goods manufacturers, toolmakers, construction companies, chemicals groups – and even the odd golfing concern – have set up in Spain.

Japanese banks such as Sanwa are keen to lend and work with them. Asked whether this had proved profitable, though, Mr Takao Kamata, director general of Sanwa in Madrid, and his two sub directors, simply tipped back in their chairs and laughed politely. Competition from the Spanish banks is tough, and Mr Kamata explains: "We have not been here long enough to make a profit".

With the foreign companies and banks have come the legal advisers. "There is a demand for legal services from companies, banks and institutions doing business in Spain, because they are either setting up a new subsidiary or buying property here," says Mr Kenneth Bonavia, solicitor with Stephenson Harwood.

"A lot of multinationals are looking for acquisitions in Spain, and this calls for the necessary support services on the legal and advisory side," adds Mr Robert Warfield, managing director of Metall Capital's Spanish operations.

The invasion by foreigners also creates work for the PR advisers, like Burson-Marsteller. "Lots of foreign companies are aware that they need PR in Spain, and it has become much more sophisticated than it was before, following developments in the financial services side," claims Mr Lareau.

Spain's economic developments and increasing financial sophistication have drawn the attention of foreigners who want to invest in the domestic stockmarket. This has put pressure on Spanish brokers to provide more research for foreign investors. "Foreign investors are demanding when it comes to broker services – they expect a higher standard," says Mr Juan Fabregas, managing director of brokers Benito y Monjardin.

The influx of foreigners has helped to push up salaries, particularly in finance. Foreign companies tend to recruit locally, and in the financial sector they have been prepared to pay handsomely for bilingual business graduates with the right skills.

"There is a new generation in the Spanish financial services sector, internationally educated with a good command of languages and aged between 25 and 30," says one foreign portfolio manager. "It's accepted that you will have to pay more to keep these people," she added.

"The Spanish have a tremendous hunger to improve their skills, learn languages and acquire business training. Open any business paper and you'll find hundreds of ads for English-language and MBA courses," says Mr Bonavia.

Foreigners tend to be less impressed by the level of service, though, and Spaniards admit that local companies (apart from banks) have not been forced to treat consumers in a particularly obliging way – the Spaniards are not loud complainers.

Fears about the foreign invasion are fading. Mr Juan Astorqui, at Burson-Marsteller, says: "There's less worry about foreigners, because we realise the need for internationalisation in the Spanish economy – the worry is not so much about who owns what, but about where the key decisions are taken. For example, are they taken in Milan or Madrid?"

He points out that many foreign companies have bought market-share in Spain, and that the more enlightened Spanish companies are now compensating by investing abroad. "They are conscious and aware of what the future holds, and are starting to act. Not many countries are capable of accommodating so many changes in such a short time. We have performed historical gymnastics".

LONG-TERM CAPITAL

Turning to paper

THERE IS NOT an lot that Spain, an essentially intuitive society, shares with thorough and painstaking Germany. But the close relationship that exists between banks and companies, in both Germany and Spain, is an exception to this rule.

Both governments, aware of this common feature, were on the same platform when the EC drew up rules on bank shareownership of industries; and the Spaniards, at least, are satisfied with the compromise enshrined in the Second Directive.

"The recurrent British debate over whether the banking system should provide long-term capital is irrelevant here," says Mr Carlos Cuervo-Arango, managing director of Banco Español de Crédito (Banesto), the big Spanish bank whose ties with industry stretch back more than century.

The lack of relevance clearly has to do with the existence of the close relationship. No eyebrows are raised in Spain when a company turns to a bank for finance, for this is the traditional order of the domestic financing business.

But the issue also happens to be meaningless at present, because the Spanish Government's sustained policy of credit restrictions, in order to cool the economy, has forced companies to look for finance outside the banking sector.

Last year, high domestic interest rates fuelled a spectacular growth in *pagares de empresa* (commercial paper), to the point where, with an estimated total value of some Pta1,000bn ($9.7bn), these *pagares* constitute probably the biggest commercial-paper market in Europe.

This development has, if anything, added fresh nuances to bank-company relationships in Spain, for the banks have participated actively in the commercial-paper programme. Banesto, for example, reckons that it has placed commercial paper worth Pta100bn so far this year.

The origins of the relationship lie in the manner in which Spanish banks created domestic industry in what Mr Cuervo-Arango calls a "natural way." In Banesto's case, the bank consolidated a series of ventures, such as the oil company Petromed, the steel-producer Acerinox and the mining corporation Asturiana de Zinc, which are in the front line of Spanish business.

But suggestions that the banking-industrial relationship is somehow incestuous – a viewpoint that certainly exists in England – are probably wide of the mark in Spain. Madrid bankers are certain that a far greater degree of control is exerted by banks over companies in Germany than in Spain.

Banesto's experience is revealing in this respect. None of the companies in the Banesto group uses the parent bank as its sole source of financing. Stressing this point Mr Cuervo-Arango argues that Banesto is not even the main provider of funds for any of the companies that come under the bank's umbrella.

A recent example of company independence came when Radiotronica, a communication company that is a subsidiary of Banesto's construction company Agroman, was floated on the Madrid stock exchange by Benito y Monjardin who are rivals of the bank's own broking firm, Banesto, Lombardia y Lacaci. Such a development would be extremely unlikely in Germany.

The *de facto* separation, for all the shareholding involved, between banks and companies in Spain when it comes to acquiring capital has now been built into Banesto's corporate culture. Mr Mario Conde, a former businessman who became chairman of Banesto late in 1987, rapidly made the competitive principle the cornerstone of the group's management philosophy.

The principle is simply that companies in the group are free to raise funds in the market, and that the parent bank will make no concessions to such companies when judging their risk. The concept of a "captive borrower" has been outlawed by Banesto. At best, the company in question or the bank, as the case may be, will receive a most favoured treatment should all other conditions be equal.

To a considerable degree, the much vaunted principle was nothing more than the formal blessing on a relationship that already existed. But the official sanction is none the less important, for it set in motion a trend that has spread to other banking-corporate structures.

Under Mr Conde's leadership, the group is at the same time in a transitional phase that involves a long look at its industrial assets and a brain-storm over which ones it wants to retain in its portfolio. The most immediate consequence of this on-going assessment has been the creation by Banesto's chairman of a conglomerate called Corporación Industrial y Financiera that brings together all the bank's industrial and financial services interests.

The creation of this conglomerate earned Banesto a significant fiscal concession when the Government waived 70 per cent of the capital gains tax due on the profits that the bank realised when it revalued its assets in order to bring them under the same corporate roof. But the keynote development came with Mr Conde's subsequent decision to float 26 per cent of the holding later this year, in a placement that is likely to worth $784m.

The upshot is that the companies that form part of the Corporación Industrial y Financiera (together they constitute by far the country's largest private holding, and account for 1 per cent of Spain's GDP) will be able to tap increasing sources of capital.

Already deregulation, and most particularly the overhaul of the Spanish stock exchanges last year, has widened the available options for company finance. The rollover of *pagares de empresa* has significantly grown over the past year, and this trend is likely to continue. Should a sustained bolsa rally materialise in the second half of this year, there is also likely tobe a move by companies towards the stockmarket.

In the medium term, there is a fair amount of expectancy over the possibilities of exterior capital finance. At present, foreign loans are subject to a 30 per cent reserve requirement, which is deposited in the Bank of Spain. When these restrictions are lifted, at some stage over the next two and a half years, the most likely development will be an active currency-swap market.

The Spanish banks, mindful of their close relationships with the domestic companies and eager to maintain them, are certain to be at hand to advise on such new capital raising instruments.

Tom Burns

Ashley Ashwood

People in Spain are very consumer-conscious, but they also spend their money intelligently

Looking for business contacts? For a while there may be a...

Dearth in the afternoon

THE CHAIRMAN of a top Spanish high-technology company, which produces a range of products including very good flight-simulators, was highly excited at an embassy reception a few days ago.

"Congratulate me. Guess what I've just bought," the Pamplona-born tycoon said.

An electronics manufacturer in the Germany, to add to the one his company acquired in the UK last year..? As guesses go it was a fair one, but it was wide of the mark.

"Two *abonos* for *San Isidro*," he said with glee. "And I intend to go to every *corrida*.

Decoding this, what you have is the following...

□ The illustrious and successful chairman – suave, well-travelled, multi-lingual and a telecommunications engineer by training – has shelled out something approaching $3,000 to purchase season-tickets at Madrid's main bullring from mid-May to mid-June; and

□ He will be there, at the ringside, come rain or shine, every afternoon, to attend the 24 fights which are staged in honour of Madrid's amiable patron saint, a local agricultural labourer called Isidro, who was terrifically pious and lived in the 12th century.

Legend has it that Isidro spent a lot of his time either attending religious services, or having siestas, and that on such occasions flights of angels would descend from heaven to drive his team of oxen for him.

Cherubim and seraphim may or may not take over the running of the high-tech company during the San Isidro fiestas that are currently in full swing. But the corporation's chief executive will certainly not be giving up his daily rendezvous with the Tauromachy calendar's Super Bowl. For nearly a month he will be unavailable after lunch.

So will a lot of other successful businessmen and bankers, not to mention society celebrities and government ministers. Just about anyone who pretends to be anyone has a San Isidro season-ticket.

Doing business in Madrid or anywhere else in Spain has its quirks. The pace of life is a major one. Every town has its fiestas and bullfights, although none, admittedly, go on for quite so long as they do in Madrid. Should you want to do business in the Spanish capital this time of year, make sure you have morning appointments.

A picture of a society that purposefully pursues pleasure would be nevertheless deceptive. Spaniards can also be workaholics and have strong constitutions. They will assuredly have gargantuan lunches, but they will talk business all the way from the opening sherry to the final cognac and cigar; and then they still be holding meetings and taking decisions when the lights have long gone out in offices elsewhere in Europe.

They are well rewarded for such efforts. According to UK consultants P-E Inbucon, average 1989 gross pay for chief executives in Spain ranked fifth in the world – behind the US, Switzerland, Germany and Italy.

Earning $135.360, in salaries, bonuses and other cash payments, the top echelon of Spanish businessmen grossed $10,000 more than their equivalents in France, $15,000 than those in Britain, and more than three times more than their peers in Portugal.

Spaniards naturally live well on such wage structures. A recent survey of living standards among European executives had the Spaniards top of the list as second-home owners (nearly 60 per cent) and as employers of live-in domestic

■For a month, meetings may have to take second place

servants (50 per cent). They also ranked first, by a considerable margin, as possessors of compact discs, video cameras and other status gadgets.

People in Spain are very consumer conscious, but they also spend their money intelligently. When schools break up at the end of next month, as many as 300,000 young Spaniards will be dispatched by their parents to summer camps and language courses in England, Ireland and the US. The acquisition of fluent English is a national obsession.

The trappings of prosperity are usually the first unexpected impression gained by a foreigner arriving in Spain for the first. People look healthy and dress well; there are a lot of satellite discs on the rooftops and a lot of expensive cars in the traffic jams. The second impression is the expense.

A business lunch will cost around $100 a head; an apartment will be $2,000 a month, which is also the going monthly wage for a reasonably competent secretary; and office rents in the prestige areas of Madrid and Barcelona have risen to $50 a square metre a month, and are still climbing.

A point worth keeping in mind is that international calls in Spain cost as much as three times more as do those of British Telecom. This is especially irritating, because anyone who complains about the latter company's service simply has not experienced the one provided by Spain's Telefonica.

The new rich Spain has put a strain on moving around the country. Domestic flights, especially the Madrid-Barcelona shuttle, are packed. Driving around Spain used to be a problem, because the motorway development programme was stopped in its tracks in the mid-1970s. Now it is a problem because the Government is trying to do in two years what it failed to do in the last 15.

Spaniards will gripe about the communications infrastructure (many Spaniards say they pay north European taxes for north African services, although they are wrong on both counts), but the visiting business person will also perceive a considerable, and justified, pride in the speed with which Spain has caught up with the developed economies north of the Pyrenees.

The lasting impression gained from Spain is that it is a confident society. It could not fail to be, with a GDP growth that has easily outperformed the the EC average for the past four years. Spaniards know they have never had it so good, and they also perceptibly sense that they are going to have it still better.

Perhaps the only problem is that next year *San Isidro abonos* will be more expensive and still harder to come by.

Tom Burns